

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 804 - HB 1200

March 25, 2017

SUMMARY OF BILL: Creates the *Tuition Stability Act* which prohibits any four-year state institution from increasing in-state undergraduate tuition or fees in the student's second, third, or fourth years of enrollment above the rate of tuition in effect at the time the student enrolls as a freshman, if the student is enrolled in an undergraduate degree program requiring 120 semester hours to graduate. If a program requires more than 120 semester hours to graduate, the tuition freeze will apply to the student's fifth year as well.

Establishes that an in-state student will be eligible for a tuition freeze program (TFP) only once. If a student ceases to be enrolled at any time during the years encompassed by the student's TFP, the student will be ineligible for the program. Requires a student that reenrolls as an undergraduate in a year beyond those included in the student's TFP to pay the in-state tuition at the institution's highest rate. Requires a student who is eligible for the in-state undergraduate TFP who transfers to another four-year state institution during years encompassed in the student's TFP to pay in-state tuition at the rate charged to entering freshmen at the time the student was an entering freshman.

Authorizes a student in a TFP who has an approved medical or personal leave of absence from the student's respective institution to be eligible for the TFP upon resuming the student's education at the institution, if certain eligibility requirements are met. Authorizes the governing body of each four-year state institution to promulgate rules concerning the application for an approval of medical or personal leave of absences and a student's resumption of attendance at the student's respective institution.

Sets forth eligibility requirements for entering freshman participating in a TFP beginning in FY19-20. A student will be eligible for the TFP program, if the student receives the Tennessee Promise scholarship and graduates from a two-year state institution with an associate degree as a Tennessee Promise student in good standing. The student must enroll in a four-year state institution if the student graduates in a spring or summer semester, in the immediately following fall semester, or if the student graduates in a fall semester immediately following the spring semester.

Requires a student qualifying under Tennessee Promise scholarship provisions to pay undergraduate tuition at the rate in effect when the student enrolls in the four-year institution. The student's TFP will be in effect in the first year of enrollment at the four-year institution and in the following year, if the student is in an undergraduate degree program that requires 120 semester hours to graduate. The student's TFP will be in effect in the first year of undergraduate enrollment at the four-year institution and in the following two years, if the student is in an

undergraduate degree program that requires more than 120 semester hours to graduate. The other requirements of the program will be applicable to these students.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

\$126,500/FY18-19/State University System

\$411,000/FY18-19/University of Tennessee

\$572,800/FY19-20 and Subsequent Years/State University System

\$286,400/FY19-20 and Subsequent Years/University of Tennessee

Other Fiscal Impact – Each university of the state university system and the University of Tennessee could incur significant forgone tuition revenue of unknown amounts beginning in FY20-21.

General Assumptions:

- Only four-year universities within the State University System (SUS) and University of Tennessee (UT) systems will be impacted by the proposed tuition freeze.
- Based on information provided by the Tennessee Higher Education Commission in the 109th General Assembly, universities in the SUS have increased tuition every year since 1988.
- Based on the information provided by UT in the 109th General Assembly, the last time UT did not increase their tuition rate was 1984.
- Based on the information provided by Tennessee Board of Regents (TBR) and UT, in-state undergraduate tuition and fee revenue is estimated to increase by at a minimum of three percent annually in the absence of this legislation.
- Pursuant to the provisions of the legislation, the undergraduate class beginning school in FY19-20 will be the first cohort of students to have their tuition froze.

Assumptions relative to tuition fee revenue impacts:

- Due to the anticipation of an increase in tuition revenue and also the historical increase in tuition each year over the past 30 years, the fiscal impact to tuition revenue is estimated to be forgone revenue to both the SUS and UT systems.
- The first year in which the SUS and the UT system will incur forgone tuition revenue impacts will be FY20-21.
- Incoming freshmen in the FY19-20 school year will have their tuition frozen at the FY19-20 tuition level. Upon their return in FY20-21 for their sophomore year, they will pay their frozen tuition amount established in FY19-20. As a result, each respective institution will incur some amount of forgone tuition fee revenue in FY20-21 associated with this first cohort of students that began school in FY19-20.
- However, each respective board can increase tuition and fees on subsequent incoming cohort of students beginning in FY20-21 in attempts to recapture all or portions of

forgone revenue resulting from previous cohorts of students having their tuition froze. This board practice could and would be expected to continue for some extended number of years.

- As a result, the net extent of forgone revenue to either the SUS institutions or to the UT system institutions in any given year cannot be reasonably determined for such impacts are dependent upon the future decisions of the respective boards and upon the future behavioral responses of each new incoming class responding to changes in tuition levels that would not necessarily occur under current law.

Assumptions Relative to Information System Modifications:

- According to SUS and UT, both systems will work directly with their database developer (Banner) to modify their Banner systems in FY18-19 to prepare for the new tuition freeze programs that will be established for incoming freshmen students in FY19-20 and subsequent years.
- Based on the costs for other Banner modifications, the projected cost for this modification is estimated to be \$126,500. This estimate assumes that all six universities would still use the same system for student information system support at the time that changes are required. Should the institutions decide not to use these services, the institution would have to contract separately.
- The one-time increase in state expenditures for SUS's information system modifications in FY18-19 is estimated to be \$126,500.
- Based on the costs for other Banner modifications, the cost for system modifications are estimated to be \$137,000 for each UT institution. Each of the three UT campuses run a uniquely configured version of Banner, and maintenance cannot be passed down from the central office.
- The one-time increase in state expenditures for UT's information system modifications in FY18-19 is estimated to be \$411,000 (\$137,000 x 3 campuses).

Assumptions Relative to Human Resource Requirements:

- Beginning in FY19-20, both the SUS and the UT system will require additional positions to effectuate the purposes of this legislation.
- Based on information provided by TBR, two additional staff positions will be required at each SUS campus to track required payments for multiple student cohorts, track the continuous enrollment dealing with transferring students and incoming Tennessee Promise students, and manage approved medical and personal leave of absences. The total number of staff positions required would be 12 (2 staff positions x 6 campuses).
- The cost per one staff position is estimated to be \$47,733 (\$35,000 salary + \$12,733 benefits).
- The total recurring increase in state expenditures for SUS staff beginning in FY19-20 is estimated to be \$572,796 (\$47,733 x 12 staff positions)
- Based on information provided by UT, two additional staff positions would be required at each UT campus to track required payments for multiple student cohorts, track the continuous enrollment incoming Tennessee Promise students, and manage approved

medical and personal leave of absences. The total number staff of positions required would be six (2 staff positions x 3 campuses).

- The cost per one staff position is estimated to be \$47,733 (\$35,000 salary + \$12,733 benefits).
- The total recurring increase in state expenditures for UT staff beginning in FY19-20 is estimated to be \$286,398 (\$47,733 x 6 staff positons).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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