

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 26, 2005

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB1528 by Zaffirini (Relating to the payment of tuition and fees at public institutions of higher education and the determination of Texas residency for that purpose.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1528, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$3,265,066
2009	\$3,265,066
2010	\$3,265,066

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	\$0
2008	\$3,265,066
2009	\$3,265,066
2010	\$3,265,066

Fiscal Analysis

The Texas Higher Education Coordinating Board (THECB) estimates there is only one group of students on which the bill will have a significant impact. Those are international students who are currently eligible through 54.057(a), Education Code, for treatment as US permanent residents as soon as they have submitted their initial petition for residency to the Bureau of Citizenship and Immigration Services (BCIS). The proposed statutes would have such students’ eligibility for residency rely on Coordinating Board rules, which can be flexible in tracking changes in BCIS policies. THECB anticipates the rules will concur with policies followed prior to statutory changes in 2001. Those policies required international students to wait for domiciliary privileges until BCIS allowed them to submit the final application for permanent residence. This, essentially, made the students’ ability to establish Texas residency subject to the federal quota system used by BCIS. Students who can now establish a domicile as soon as their initial petition is filed with BCIS will have to wait until BCIS allows them to submit their final application for permanent resident status.

As a result, it is estimated that some students, rather than pay the nonresident tuition rate while their BCIS paperwork is pending, will choose not to attend college in Texas. Others will continue to attend and pay the higher tuition rate. Those who drop out of school because they will no longer be paying the resident rate will represent saved formula funding for the state beginning in fall 2006, when the provisions of the bill go into effect.

The state will also experience formula funding savings for students who attend universities in Texas and begin to pay the nonresident tuition rate. The nonresident tuition university students pay is sufficient to meet the full cost of attending college and therefore exempts the state from having to pay formula funding for university students paying the nonresident rate.

Community college general revenue allotments, on the other hand, are not sensitive to the tuition paid by the students, so they will continue to receive formula funding for students who pay the nonresident rate because of this provision.

Beginning in fiscal year 2008, the state will save approximately \$420,000 per year in formula funding costs for students who drop out of community colleges. It will save a total of \$2.8 million per year in general revenue funds for students dropping out of universities and students attending but paying full nonresident tuition at universities.

Institutions will receive additional tuition revenues from the students who are now paying the nonresident tuition rate totaling approximately \$1.3 million for community colleges and \$3.5 million for universities in fiscal year 2007. In fiscal year 2008 and later these additional revenues from the students will be partially offset by the lowered general revenue funds from the state. The net result for community colleges will equal an annual increase of \$893,000 and for universities an annual increase of \$696,450 in the out years.

Total General Revenue savings for the state will equal \$3,265,066 per year in fiscal year 2008, fiscal year 2009 and fiscal year 2010.

Methodology

THECB records indicate that in fiscal year 2004, 2,673 community college students and 1,934 university students were international students who qualified as residents as a result of wording added to 54.057(a) education code in fiscal year 2001. This wording would be eliminated by the proposed bill. The community college students mentioned above took a total of 37,624 hours (showing an average annual load of 14 hours). The university students took a total of 30,060 hours (showing an average annual load of 16 hours). Using 30 hours as the measure, the community college students equal 1,254 full time student equivalents (FTSEs) and the university students represent 1,002 FTSEs. The state's General Revenue formula funding per FTSE at community colleges averages \$3,368. The General Revenue formula funding per FTSE at universities is \$2837. According to institution student budgets on file at the Coordinating Board, the average nonresident paid \$2,549 in tuition and fees at a community college or \$10,918 at a university in fiscal year 2004. The average resident paid \$1,245 at a community college or \$3,783 at a university. We assumed fees were basically the same for residents and nonresidents, thus, the FTSE difference in nonresident and resident tuition at public community colleges is \$1,304; at universities it is \$7,135.

THECB assumed that 1/3 of the university students would choose to drop out of college in fiscal year 2006 because of the \$7,135/year increase and that 10 percent of the community college students would drop out. The balance of the students would pay the non-resident tuition rate and remain in college.

The students who drop out of college represent a formula funding savings to the state (beginning in 2008).

University students who remain in college and pay non-resident tuition also generate formula funding savings to the state since the tuition they pay is in excess of the total cost of education. Since formula funding at universities is based, in part, on anticipated tuition revenues and non-resident tuition is so much higher than resident tuition, the state will not need to provide formula funding for non-residents paying the non-resident tuition rate at universities. This is not true for community college non-

residents, since community college General Revenue funding is not sensitive to local tuition and fee revenues.

Formula funding costs to the state, if these students continued to pay non-resident tuition and the schools continued to receive formula funding, would equal \$4.2 million per year at community colleges and \$2.8 million per year at universities. The anticipated formula funding costs and tuition revenues under the new provisions were calculated. THECB decreased the number of FTSEs by 33 percent for universities and 10 percent for community colleges (to allow for students dropping out of school) and adjusted tuition revenues to reflect the remaining students’ paying non-resident tuition. The formula funding changes were expected to begin in fiscal year 2008. The tuition revenue changes were expected to begin in 2007. THECB further reduced the formula funding costs for the university students to zero beginning in fiscal year 2008 in recognition of non-resident tuition covering total student costs. The formula funding savings to the state will be \$3,265,066 per year, beginning in 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 720 The University of Texas System Administration, 758 Board of Regents, Texas State University System Central Office, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration

LBB Staff: JOB, CT, RT, GO