

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 17, 2007**

**TO:** Honorable David Swinford, Chair, House Committee on State Affairs

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

**IN RE: HB39** by Paxton (Relating to the determination of resident status of students by public institutions of higher education.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Section 54.052 of the Education Code by eliminating the ability of a student to qualify for in-state tuition at a public university by maintaining continuous residency for three years before earning a high school diploma and the year preceding the academic term in which the student is enrolled in a public university.

The Higher Education Coordinating Board (HECB) estimates the number of Full Time Students Equivalents (FTSE) that would have been affected by the bill at 4,145 in fiscal year 2007 and assumes a growth rate of one percent per year during fiscal years 2008-12. It is further estimated by HECB that 99 percent of such students at universities and health-related institutions would choose not to enroll at universities under the provisions of the bill, while 60 percent of students at Texas State Technical Colleges and 40 percent of community college students would choose not to enroll.

Using this information, the potential number of students who would not enroll in a higher education institution equals 2,417 in fiscal year 2010. Although some tuition losses would be offset by increased tuition paid by those students who continued their education (mostly at two year institutions), net losses in tuition for higher education institutions is estimated to be \$3 million in fiscal year 2008, \$3 million in fiscal year 2009, \$3.1 million in 2010, \$3.1 million in 2011 and \$3.1 million in 2012.

Because General Revenue funding levels will already be set for the 2008-09 biennium when the bill becomes effective, the General Revenue formula funding levels would not be impacted. If the level of state support for General Revenue formula funding per student remained constant, the potential estimated General Revenue savings to formula funding is about \$7 million per year beginning in fiscal year 2010. However, the extent of savings from General Revenue formula funding would depend on each affected students' decision to pay the increased tuition costs, the demand for higher education from other students not currently enrolled, and the level of state support for formula funding.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 781 Higher Education Coordinating Board

**LBB Staff:** JOB, KJG, RT, JMI