

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 14, 2007

TO: Honorable Judith Zaffirini, Chair, Senate Committee on S/C on Higher Education

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

IN RE: HB120 by Brown, Fred (Relating to state funding and designated tuition charged for courses provided during off-peak hours at certain public institutions of higher education.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB120, Committee Report 2nd House, Substituted: a negative impact of (\$38,612,518) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$19,306,259)
2009	(\$19,306,259)
2010	(\$19,306,259)
2011	(\$19,306,259)
2012	(\$19,306,259)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>INSTITUTIONAL FUNDS</i> 997
2008	(\$19,306,259)	(\$19,306,259)
2009	(\$19,306,259)	(\$19,306,259)
2010	(\$19,306,259)	(\$19,306,259)
2011	(\$19,306,259)	(\$19,306,259)
2012	(\$19,306,259)	(\$19,306,259)

Fiscal Analysis

Under provisions of the bill, the University of Texas at Austin, Texas A&M University and Texas Tech may offer lower reduced tuition rates for courses during off-peak hours.

Methodology

The Higher Education Coordinating Board used the following assumptions to calculate the tuition losses to the three schools: 1) The three institutions would actually offer off-peak courses. 2) That 15% of the students currently enrolled actually sign up for the off-peak courses. 3) The reduction in tuition rates would be 25%. 4) That undergraduate courses would be offered during off-peak hours. 5) It is unknown the additional dollar savings that may occur with courses offered off-peak. 6) No

consideration was given to the institutions that currently offer flat rate tuition and the implications a reduction in tuition may entail. Flat-rate tuition rates vary depending on the student's institution, program, classification and rates they currently pay and as a result the fiscal impact on reductions in flat-rate tuition cannot be estimated.

Using these criteria the Coordinating Board calculated that for Texas A&M, a 25% discount will cost the school \$7,217,028 per year in tuition losses. For the University of Texas at Austin, a 25% discount will cost the school \$8,085,030 per year, and for Texas Tech, a 25% discount will cost the school \$4,004,201 per year. The total for these three institutions, at a 25% discount, will cost \$19,306,259 per year. To the extent that the State reimburses the estimated tuition losses under the current formulas the impacted institutions would have increased formula general revenue as compared to institutions that do not offer the reduced tuition rates.

Based on the following language in the bill, "This section applies only if the legislature specifically appropriates money to institutions to which Section 61.0592 applies for the state fiscal biennium ending August 31, 2009, to cover the tuition revenue lost to the institutions by the application of this section," it is assumed that an equivalent amount of general revenue funds would be needed to reimburse the university for the loss of designated tuition revenue.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 733 Texas Tech University

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