

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 25, 2007

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: **HB3826** by Morrison (Relating to high school curriculum requirements for admission to public institutions of higher education and to the admission to public institutions of higher education of the children of certain public servants killed in the line of duty.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3826, As Passed 2nd House: a negative impact of (\$92,658,840) 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	\$0
2009	(\$92,658,840)
2010	(\$183,948,660)
2011	(\$277,512,861)
2012	(\$371,347,331)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Revenue (Loss) from EST OTH EDUC & GEN INCO 770	Probable Revenue Gain/ (Loss) from INSTITUTIONAL FUNDS 997
2008	\$0	\$0	\$0
2009	(\$92,658,840)	(\$30,307,786)	(\$62,351,053)
2010	(\$183,948,660)	(\$58,248,937)	(\$125,699,724)
2011	(\$277,512,861)	(\$85,035,160)	(\$192,477,702)
2012	(\$371,347,331)	(\$110,058,850)	(\$261,288,480)

Fiscal Analysis

The bill would amend automatic admission requirements under various sections of the Education Code. The bill clarifies the eligibility of students for automatic admission. Under provisions of the bill, each general academic teaching institution would be required to exempt a student who qualifies for automatic admission under Section 51.803 of the Education Code ("Top 10%") from the payment of statutory tuition and special courses fees, lab fees, and student teaching fees. The student can continue to receive the exemption if certain course load and grade point requirements are met. This exemption would not apply to designated tuition. Under provisions of the bill, the legislature will

account for these exemptions in the General Appropriations Act in a way that provides a corresponding increase in general revenue funds appropriated to the institution.

The bill also contains another provision whereby the legislature may appropriate money to the Texas Higher Education Coordinating Board to be used to reimburse general academic institutions for reducing the amount of designated tuition charged to persons receiving the statutory tuition exemptions. The Coordinating Board would distribute the amount of this appropriation in proportion to the number of semester credit hours for which the Coordinating Board estimates students will receive the exemption.

These provisions would become effective beginning with the 2008 Fall Semester or Fiscal Year 2009.

Methodology

For purposes of this fiscal note it is assumed the legislature will appropriate funding to reimburse the institutions for the designated tuition exemption.

The Higher Education Coordinating Board, using information provided by the general academic institutions, estimates that 15,842 students fell under the Top 10 percent provision in fiscal year 2006. The statutory tuition amount for 15 semester credit hours is \$750 (statutory tuition is currently capped at \$50 per semester credit hours). The Coordinating Board calculated the statutory tuition exemption by multiplying the number of students (15,842) times the statutory tuition amount (\$750) times 2.5 which takes into account the spring, fall and summer semesters. The Board also calculated the special courses and lab fees that were exempted and added this to the total for the statutory tuition exemption as well as a 5% inflationary increase. Based on these calculations the statutory tuition exemption would amount to \$30,307,786 in fiscal year 2009. The exemption would increase in the out years as new students enroll under the top 10% provision and other students continue to receive the exemption as long the course load and grade point average requirements are satisfied. The Coordinating Board estimates that the persistence rate will be 92% in the first year, 88% in the second year and 82% in the third year.

For the designated tuition exemption, the coordinating board used the same calculation as above but used the designated tuition amounts from each school. While the statutory tuition is the same for each school, designated tuition amount can vary. The range of designated tuition is from a low of \$630 to a high of \$1,869 for 15 semester credit hours, with the average award being \$1,207. Based on these calculations, the total amount of designated tuition exempted in fiscal year 2009 is \$62,351,053. These amounts would increase in the out years for the same reasons as mentioned above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: JOB, JSp, MN, RT, GO