

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 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: SB100 by Shapiro (Relating to stabilizing the amount of tuition charged to certain residents of this state by general academic teaching institutions.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill stabilizes tuition charged to resident undergraduates by prohibiting institutions from charging tuition to a student at a rate that exceeds the rate in effect during the student's freshman year. The bill is effective for students entering college in Fall 2007. Although the legislation stabilizes tuition for individual students, it is unclear if the institutions' governing boards would simply increase designated tuition on subsequent classes to make up for lost revenue.

For fiscal years 2007-2009 there was/will be an average annual increase of 7.7% per year in designated tuition. In 2009, the first year the bill would affect students, we estimate that the institutions' governing boards would have to raise designated tuition 2.6% on top of the 7.7% increase to offset lost revenue. In 2010, designated tuition would have to be raised by 4.6% on top of the annual 7.7% increase. Each year after that, designated tuition would have to be raised an additional 6.8% on top of the average annual increase in order to offset the cost of the legislation.

As example, the University of Texas System estimated the provisions of the bill will result in a \$180 million loss in institutional revenue through 2013. The impact of this loss on the institutions within the University of Texas System would depend on whether the individual institutions recover this lost revenue through increased tuition rates.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

LBB Staff: JOB, MN, RT, JMI