

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: SB579 by Ellis (Relating to a limitation on increases in the total amount of tuition and compulsory fees charged by public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB579, As Introduced: no impact 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	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Institutional Funds</i> 997
2008	(\$93,596,635)
2009	(\$189,827,597)
2010	(\$288,748,494)
2011	(\$390,415,980)
2012	(\$494,887,766)

Fiscal Analysis

The bill would limit increased in total tuition and compulsory fees to an amount equal to the sum of: (1) the lesser of: (A) an amount equal to 10 percent of the difference between the median income for four-person families in Texas, as determined by the U.S. Census Bureau, during the most recent year for which data is available and the preceding year, or (B) \$150; and (2) the total amount of tuition and compulsory fees charged by the institution for a similarly situated student in the preceding academic year.

Although the bill would have no impact to General Revenue, it would eliminate anticipated increases in tuition and fees. The bill would reduce revenue available to general academic institutions by an estimated \$93.6 million for fiscal year 2008, \$189.8 million for fiscal year 2009, \$288.7 million for fiscal year 2010, \$390.4 million in fiscal year 2011 and \$494.9 million in fiscal year 2012 for a five-

year total of \$1,457.5 million.

Methodology

According to the Higher Education Coordinating Board, during fiscal years 2005, 2006 and 2007, statewide statutory tuition rose from \$1,440 for 30 hours (2005) to \$1,500 for 30 hours (2007); the average designated tuition rose from \$1,793 to \$2,249 for 30 hours, and the average student service fee dropped from \$322 to \$308 for 30 hours. The combined costs rose by about 7% per year, or \$250.

Meanwhile, the US Census Bureau indicates the median family income in Texas went down in 2002 and 2003, but rose for 2005. The methodology for the estimated loss in institutional revenue therefore assumes constant median family income which would allow for no increases in tuition and student service fees under the provisions of the bill.

Since the recent increase in these charges has been \$250 per year over the previous year's charges, the Higher Education Coordinating Board assumed the lost revenue per full-time student in fiscal year 2008 would equal \$250 per person; in fiscal year 2009, \$500 per person; in fiscal year 2010, \$750 per person, in fiscal year 2011, \$1,000 per person and in fiscal year 2012, \$1,250 per person.

Per historic enrollment data, the average increase in full-time student enrollments at public universities is 1.4 %. The anticipated full-time student equivalent (FTSE) count for each year 2008-2012 was then multiplied by the dollar amounts indicated in the previous paragraph to arrive at a total cost to institutional funds of \$1,457.5 million.

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, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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