

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 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: SB1131 by Lucio (Relating to the rates of tuition charged to students of institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1131, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

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	(\$365,221,556)
2009	(\$449,103,823)
2010	(\$541,806,460)
2011	(\$644,194,849)
2012	(\$757,218,468)

Fiscal Analysis

The bill would cap designated tuition at either the 2006-07 level or the maximum amount of statutory tuition whichever is greater.

Methodology

Using historic information about enrollments, the Higher Education Coordinating Board determined the number of full-time student equivalents (FTSE) at general academic teaching institutions increased by an average of 1.4 percent per year. In fall 2006 the FTSE enrollment was 369,191. They assumed spring and summer enrollments combined would equal approximately this same number, and multiplied 369,191 by 1.04 percent to generate enrollment projections for fiscal years 2008-12. Based on this methodology the amounts would be 374,387 in fiscal year 2008, and 379,655 in fiscal year 2009, and increasing slightly each year to fiscal year 2012.

The Coordinating Board compared designated tuition rates for fiscal year 2008 to those for fiscal year 2007 and determined the rate of increase to be 8.2% per year. In fiscal year 2007 the average designated tuition rate for 30 hours was \$2,254. They applied the 8.2 percent increase per year to estimate the rates for fiscal year 2008-12. To estimate the amount of tuition institutions would not receive if required to limit designated tuition to \$50 per hour, the Coordinating Board multiplied the projected FTSEs by the difference between projected designated tuition amounts and \$1500 -- the rate that would be set by this provision. For fiscal year 2008, the tuition difference would be \$2,438 (\$2,254 increased by 8.2%) - \$1500 (\$50 x 30 hours) = \$938. The Coordinating Board multiplied this number times the estimated FTSE (\$938 X 374,387 = \$351,174,574) to get the tuition loss for the General Academic Institutions. This same methodology was used for fiscal years 2009 through 2012.

Health-related institutions also charge designated tuition. They represent approximately 3 percent of the enrollment. The Coordinating Board multiplied the general academic teaching institution figures by 1.03 to derive the statewide tuition loss figures.

The resulting calculations in estimated decreased revenue to the institutions in designated tuition collections are \$365 million in fiscal year 2008, \$449 million in fiscal year 2009, \$542 million in fiscal year 2010, \$644 million in fiscal year 2011 and \$757 million in fiscal year 2012.

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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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