

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

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

IN RE: HB215 by Guillen (Relating to limitations on increases in fees and designated tuition charged by public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB215, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Designated Tuition</i> 997
2010	(\$95,109,160)
2011	(\$198,352,457)
2012	(\$299,052,764)
2013	(\$409,101,641)
2014	(\$529,297,438)

Fiscal Analysis

This bill would require that all fee increases be approved by a majority vote of the students of the institution voting in a general student allocation for that purpose. This bill also requires that designated tuition assessed not be in excess of the rates assessed for the 2008-2009 academic year for the 2009-2010 and 2010-2011 academic years. Effective fall semester of 2011, the rate assessed may increase by the rate of inflation as determined by the Higher Education Coordinating Board.

Methodology

Based on tuition information reported to them by institutions, the Higher Education Coordinating Board determined that designated tuition rates at general academic teaching institutions have increased, on average, by 14% per year for the past 3 years (average of 11.10%, 13.30, and 17.86). However, the Higher Education Coordinating Board believes the rate of increase will slow to about 8.45% (60% of the current rate of increase). The Higher Education Coordinating Board applied the

8.45% increase to the fiscal year 2009 estimated tuition rates and derived estimates for fiscal year 2009-14. During that time, the Higher Education Coordinating Board estimated that designated tuition at general academic teaching institutions would increase from \$2,885 in fiscal year 2009 to \$4,328 in fiscal year 2014. A similar calculation was done for tuition rates at health-related institutions. The Board then calculated the number of students that would be impacted. In fall 2007 the full-time student equivalent (FTSE) number of all students was 405,505, which included 330,675 undergraduates and 74,830 graduates, enrolled in public universities and health related institutions. For purposes of this fiscal note it is assumed that the FTSE would remain constant.

For the tuition rate changes under the bill, the Higher Education Coordinating Board used the fiscal year 2009 tuition rate (\$2,885) and limited the increase to the consumer price index (currently 1%) for the applicable years. The amount of designated tuition at the level rates and the CPI rate was subtracted from the anticipated amount of designated tuition without regulation to determine the designated tuition losses. Based on these calculations the decrease in designated tuition revenue would be \$95.1 million in fiscal year 2010 and \$198.3 million in fiscal year 2011. The revenue losses would continue to increase in the out years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 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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