

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 30, 2009**

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

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

**IN RE: HB351** by Dutton (Relating to an exemption from or refund of tuition and fees for lower-division students enrolled in a general academic teaching institution who maintain a high grade-point average.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB351, As Introduced: a negative impact of (\$192,364,976) 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	(\$93,227,029)
2011	(\$99,137,947)
2012	(\$102,488,515)
2013	(\$103,885,278)
2014	(\$105,241,763)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Institutional Funds</i> 997	Probable Revenue (Loss) from <i>Est Oth Educ &amp; Gen Inco</i> 770
2010	(\$93,227,029)	(\$70,336,019)	(\$22,891,010)
2011	(\$99,137,947)	(\$74,071,160)	(\$25,066,787)
2012	(\$102,488,515)	(\$77,085,692)	(\$25,402,823)
2013	(\$103,885,278)	(\$78,136,035)	(\$25,749,243)
2014	(\$105,241,763)	(\$79,157,405)	(\$26,084,348)

**Fiscal Analysis**

Under provisions of the bill, an entering freshman student enrolled in a general academic teaching institution is entitled to a refund of the tuition and required fees paid by the student under this chapter for the first semester or term for which the student enrolls at that institution if the student: (1) graduated from a private high school, including a home school, or a public high school in this state; (2) is classified as a Texas resident; and (3) for all courses attempted that initial semester or term earns a grade point average of at least 3.0 on a four-point scale or the equivalent.

An institution to which this section applies shall fund tuition and fee refunds and exemptions under this section from available institutional funds or from available local funds or other amounts appropriated to the institution, without regard to whether those appropriations are specifically designated for this purpose.

## Methodology

For purposes of this fiscal note it is assumed that the institutions will be appropriated general revenue to cover the tuition exemption. The different types of tuition, designated tuition and statutory tuition, have been included in separate tables. Designated tuition and fees have been included under Institutional Funds. Statutory Tuition is included under Fund 770.

Based on information submitted by general academic teaching institutions in 2006 and 2007, the Higher Education Coordinating Board found that the entering freshman class of 2006 included 54,860 Texas residents. Of that number, 21,906 or 39.93% of them completed their first term with at least a 3.0 GPA. Of that number, 14,508 or 66.23% completed the spring 2007 term with at least a 3.0 GPA. In fall 2007 9,993 of the fall 2006 cohort (68.88% of the students with 3.0 in spring) completed the term with a 3.0 or higher GPA, and in spring 2008 8,400 of them (84.06% of the students with 3.0 GPA in the fall) completed their second spring semester with at least a 3.0 GPA. To estimate the number of entering freshmen who will be residents of Texas in the future, the Higher Education Coordinating Board calculated the average growth rate of fall enrollments at public universities for fall 2003 through fall 2007. This average equaled 1.27%. As a result of these assumptions the Higher Education Coordinating Board predicted the entering freshman class of Texas residents at general academic teaching institutions would equal 56,258 in fall 2009, rising to 59,305 in fall 2013. In fiscal year 2007 the average value of a tuition and fee exemption was \$3,508. This number, along with the calculation of the number of students who qualify for the exemption, will form the basis of the cost estimate.

Reports from institutions indicate that 14,862 students who entered in fall 2007 ended fiscal year 2008 with at least a 3.0 GPA. The Higher Education Coordinating Board used this estimate for fiscal year 2009. Using the retention percentages of 3.0 GPA holders from fiscal year 2006-07, they calculated that in fall 2009 10,237 students who had entered college in fall 2008 would continue their enrollment in general academic teaching institutions and be maintaining a 3.0 GPA, qualifying them for exemption and that 8,605 of them would meet that requirement in spring 2010. Of the fall 2009 entering class of 56,258 Texas residents, they calculated that 22,464 ( $56,258 * .3993$ ) would complete the fall term with at least a 3.0 GPA. They further estimated that 85% of the fall 2009-entering students would apply for and receive reimbursements. The continuing fiscal year 2009 students and fall 2009 entering students represent exemptions and refunds totaling \$51,447,457. In spring 2010, 8,605 of the students who entered in fall 2008 and 15,215 of the students who entered in fall 2009 would qualify for exemptions totaling \$41,779,573. The total costs to the institutions for fiscal year 2010 would equal \$93,227,029.

In fall 2010 the new entering class of 57,000 would generate 22,761 students with 3.0 GPAs. They estimated 90% of them would apply for and receive reimbursements. An additional 10,936 students from the previous year's cohort would qualify for exemptions. These two groups in fall 2010 would receive exemptions or reimbursements totaling \$55,111,942. In spring 2011 the fall 2010 class of 57,000 would generate 15,415 students with 3.0 GPAs. An additional 9,685 students from the previous year's cohort would qualify for exemptions. These two groups in spring 2011 would receive exemptions totaling \$44,026,005. This trend would continue in the future 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

**LBB Staff:** JOB, KK, RT, GO