

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 31, 2009

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

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

IN RE: HB364 by Thibaut (Relating to a fixed tuition rate provided by general academic teaching institutions and public lower-division institutions of higher education to certain undergraduate students.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB364, 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 Designated Tuition 997
2010	\$0
2011	\$0
2012	(\$18,534,214)
2013	(\$43,186,820)
2014	(\$72,369,053)

Fiscal Analysis

Under provisions of the bill, the designated tuition rate charged to a first-time entering student will remain at the same rate for 4 years for students attending general academic teaching institutions and 2 years for students attending a public junior college. The change in tuition rate will go into effect fall 2010 (fiscal year 2011) and the first benefit will be felt by the fall 2010 entering class when they return Fall 2011 (fiscal year 2012). As a result the fiscal impact of the bill will begin with fiscal year 2012.

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.

In fall 2007, the number of full-time student equivalent (FTSE) resident, freshmen enrolled in general academic teaching institutions was 56,722. The first-time entering freshman retention rate for universities was 86.70%. The Higher Education Coordinating Board multiplied the numbers of freshmen equivalents by the retention rates to derive the number of students impacted by the provisions.

The Higher Education Coordinating Board assumed the retention rates decreased by 8% each year and made the same calculation for each year. In order to derive the amount of tuition revenues lost by the schools they multiplied the number of FTSE freshmen by the persistence rate and the result of that calculation by the change in designated tuition each student would have paid if rates were held constant for each cohort. They subtracted the amount of constant designated tuition from the anticipated amount of designated tuition (without regulation). The Higher Education Coordinating Board then multiplied the estimated number of FTSE for each year by the difference calculated above.

Based on these assumptions, the general academic teaching institutions would see a decrease in designated tuition revenue of approximately \$14.1 million (49,178 students multiplied by \$287) in fiscal year 2012. The losses in designated tuition revenue would increase in the remaining years as new cohorts of freshmen enter the institutions.

The tuition rates at public junior colleges have increased, on average, by 7.47% per year for the past 3 years. For public junior colleges the Higher Education Coordinating Board applied the 7.47% increase to the fiscal year 2009 estimated tuition rates and derived estimates for fiscal year 2009-14. During that time, they estimated that tuition at public junior colleges would increase from \$1,300 in fiscal year 2009 to \$1,864 in fiscal year 2014.

In fall 2007 the full-time student equivalent number of resident, freshmen enrolled in public junior colleges was 66,996. The first-time entering freshman retention rate for public junior colleges was 59%. The Higher Education Coordinating Board multiplied the numbers of freshmen equivalents by the retention rates to derive the number of students impacted by the provisions. In order to derive the amount of tuition revenues lost by the schools they multiplied the number of FTSE freshmen by the persistence rate and the result of that calculation by the change in tuition each student would have paid if rates were held constant for each cohort. They subtracted the amount of constant tuition from the anticipated amount of tuition (without regulation). The Higher Education Coordinating Board then multiplied the estimated number of FTSE for each year by the difference calculated above. Based on these assumptions, the public junior colleges would see a decrease in tuition revenue of approximately \$4.4 million (39,528 students multiplied by \$112) 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, 758 Texas State University System, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 768 Texas Tech University System Administration

LBB Staff: JOB, GO, KK, RT