

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: HB898 by Dutton (Relating to limiting the tuition rates that certain public institutions of higher education may charge to resident students.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB898, 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 Institutional Funds 997
2010	\$0
2011	(\$16,090,733)
2012	(\$34,667,483)
2013	(\$56,018,165)
2014	(\$80,464,624)

Fiscal Analysis

Under provisions of the bill, general academic institutions could not charge higher tuition to residents than the national average rates as determined by the Higher Education Coordinating Board. The Higher Education Coordinating Board would utilize not fewer than five out of state institutions in determining the national average tuition rates, and would provide the rates to the institutions not later than January 1 of the calendar year in which that academic year begins. The bill applies beginning with the 2010-2011 academic year (fiscal year 2011).

Methodology

Since the changes in the tuition rates become effective in fiscal year 2011, there would be no impact to tuition for fiscal year 2010. 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 by fiscal year 2014.

To determine the change in the national average, the Texas Higher Education Coordinating Board used the Washington Higher Education Coordinating Board's National Comparison of tuition rates. Based on this information, five states were chosen, New York, Pennsylvania, Florida, Illinois and California. The Texas Higher Education Coordinating Board compared the tuition and fees for fiscal year 2007 to fiscal year 2008 for the five states and found the average increase was 7%. Based on a 7% increase, the amount of designated tuition would increase from \$2,885 in fiscal year 2009 to \$4,101 by fiscal year 2014.

The Higher Education Coordinating Board then looked at the number of students that would be impacted. In fall 2007 the full-time student equivalent (FTSE) for students enrolled in public universities and health related institutions who were resident, undergraduates was 311,456, and who were resident graduate students was 54,061. They assumed that the FTSE remains constant. To derive the amount of tuition revenues lost by the schools they multiplied the number of FTSE by the change in designated tuition each student would have paid if rates for FY 2011 and beyond were limited to the increase in the national average for tuition for the most recent year (fiscal year 2008 = 7 percent). They then subtracted the amount of designated tuition limited to the national average rate from the anticipated amount of designated tuition (without regulation). Based on these assumptions the decrease in designated tuition revenue for fiscal year 2011 would be \$16.1 million. The revenue losses would continue to increase in the remaining years as the estimate on the amount of designated tuition without regulation increases faster than the 7% increase.

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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