

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: HB2637 by Rose (Relating to a limitation on the total amount of tuition and mandatory fees that a public institution of higher education may charge.), **As Introduced**

No fiscal implication to the State is anticipated.

Under provisions of the bill, the governing board of an institution of higher education may not charge during any academic year a total amount of tuition and mandatory fees per semester credit hour that, when combined with the amount of undedicated general revenue funds appropriated to the institution for instruction and operations for that year for each semester credit hour for which a student pays tuition and mandatory fees in that year, exceeds by more than six percent the sum of the total amount of tuition and mandatory fees charged under this chapter by the institution per semester credit hour during the preceding academic year and the amount of undedicated general revenue funds appropriated to the institution for instruction and operations for that preceding year for each semester credit hour for which a student pays tuition and mandatory fees in that year. The bill would limit the tuition charged by institutions of higher education under Section 54.513 or another law authorizing an institution to establish tuition rates. The bill would permit institutions to exceed the limit if the institution is adding educational programs that the Higher Education Coordinating Board determines supports "Closing the Gaps."

The bill would change tuition rates charged under Sections 54.051 and 54.0513 of the Education Code by institutions of higher education. Currently Section 54.051 sets a minimum on how much tuition a community college can charge a resident student. Under Section 54.0513, the governing board of an institution of higher education may charge any student an amount designated as tuition that the governing board considers necessary for the effective operation of the institution. This amount is in addition to any other tuition amounts, including amounts under Section 54.051, that the institution is authorized to charge. The changes under the bill would be effective beginning in the 2011-12 academic year (fiscal year 2012).

Based on information provided by the Higher Education Coordinating Board and derived from the fiscal year 2008 Sources and Uses, the annual financial reports from the community colleges, and the 2008-09 General Appropriations Act, the total net tuition and fees and funding for instruction and operation for fiscal year 2008 for the general academic institutions, health-related institutions, and community colleges totaled \$4,355,970,603, \$589,701,289, and \$1,576,782,037 respectively. Based on the total for all three types of institutions (\$6.5 billion) a one percent increase over the 2008 total amount would be \$65,224,539. Under provisions of the bill, the institutions would be limited to a 6 percent increase, or \$391,347,234. Over this amount the institutions would have to make up the difference. For example if the economy incurs a 7 percent inflation rate, the institutions would have to make up the 1 percent difference or \$65.2 million by reducing costs such as lowering salaries. Since the institutions would be impacted by this legislation only when annual inflation exceeds 6 percent, which has not occurred recently, there would be no impact to the state or the institutions. Fast growing institutions could potentially be impacted by the legislation if the growth exceeded 6 percent and the growth was not due to new educational programs being initiated by the institution.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 758 Texas State University System, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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