

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: HB2955 by Coleman (Relating to the rates of tuition charged to students of public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2955, 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>Institutional Funds</i> 997	Probable Revenue Gain from <i>Est Oth Educ & Gen Inco</i> 770
2010	(\$511,499,211)	\$40,688,472
2011	(\$580,792,033)	\$61,032,708
2012	(\$657,659,186)	\$81,376,944
2013	(\$742,740,702)	\$101,721,180
2014	(\$836,730,694)	\$122,065,416

Fiscal Analysis

The bill would tie increases in designated tuition under Section 54.0513 of the Education Code to increases in statutory tuition rates. The current statutory tuition rate is \$50 per semester credit hour for a resident student at a general academic university. The new rates would be as follows:

- (1) for the 2009-2010 academic year, \$54 per semester credit hour
- (2) for the 2010-2011 academic year, \$56 per semester credit hour
- (3) for the 2011-2012 academic year, \$58 per semester credit hour
- (4) for the 2012-2013 academic year, \$60 per semester credit hour
- (5) for the 2013-2014 academic year, \$62 per semester credit hour
- (6) for the 2014-2015 academic year, \$64 per semester credit hour

The bill would repeal Sections 56.011 and 56.012 of the Education Code requiring the institutions of higher education to set aside a certain portion of designated tuition for financial assistance for students. Currently a portion of the set asides is used to support the B-On-Time program.

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.

The Texas Higher Education Coordinating Board calculated the designated tuition increase based on the statutory rates included in the bill and derived estimates for fiscal year 2010-14. The Higher Education Coordinating Board estimated that designated tuition at general academic teaching institutions based on the statutory tuition rates would be \$1,620 in fiscal year 2010 increasing to \$1,860 in fiscal year 2014.

After calculating the tuition rates, the Higher Education Coordinating Board estimated the the number of students that would be impacted by the bill. In fall 2007 the full-time student equivalent (FTSE) for students enrolled in public universities who were resident, undergraduates was 309,233, and who were resident graduate students was 37,297. They assumed that the FTSE would remain 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 fiscal year 2009 and beyond were limited to the statutory tuition limits. They subtracted the amount of designated tuition limited to the statutory tuition rate from the anticipated amount of designated tuition (without regulation). Based on these assumptions the decrease in designated tuition revenue for fiscal year 2010 would be \$551.5 million increasing to \$836.7 million in fiscal year 2014.

These decreases would be partially offset by increase in statutory tuition. Currently statutory tuition is at \$50 per semester credit hour. For fiscal year 2009, the statutory tuition was \$1,500 per student. Based on the amounts included above (beginning with \$1,620 in fiscal year 2010), the additional statutory tuition revenue would be \$40.7 million in fiscal year 2010 increasing to \$122 million by fiscal year 2014.

The bill repeals the statutory provisions dealing with designated tuition set asides. These amounts have been included in the decreases in designated tuition revenue described above. The Higher Education Coordinating Board has estimated that the amount of the designated tuition set asides that would be used for financial assistance for fiscal year 2010 is approximately \$78 million increasing to \$142.9 million by fiscal year 2014.

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, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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