

**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: HB3837** by Hilderbran (Relating to a limitation on the amount of tuition charged by public institutions of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3837, 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
2010	(\$126,353,264)
2011	(\$263,022,542)
2012	(\$410,912,799)
2013	(\$570,947,738)
2014	(\$744,127,287)

**Fiscal Analysis**

Under provisions of the bill, the total amount of tuition charged by an institution of higher education to a student for an academic year may not exceed the total amount of tuition that the institution would have charged under this chapter to a similarly situated student for the 2008-2009 academic year. The bill would limit tuition charged by an institution of higher education under Section 54.0513 or another law authorizing an institution to establish tuition rates. The provisions apply to tuition to charged by public institutions for the 2009 fall semester (fiscal year 2010).

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. For purposes of this fiscal note, the tuition will be considered institutional funds.

## **Methodology**

Based on tuition information reported to them by institutions, the Higher Education Coordinating Board determined that designated tuition rates (Section 54.0513 of the Education Code) 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 years 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.

A similar calculation was done for the health-related institutions. The Higher Education Coordinating Board then calculated the number of students that would be impacted. In fall 2007 the number of full-time student equivalent (FTSE) enrolled at general academic institutions and health related institutions was 405,505, which included 330,675 undergraduates and 74,830 graduates. For purposes of this fiscal note it is assumed that the FTSE would remain constant. The amount of tuition at the level rates was subtracted from the anticipated amount of tuition without regulation to determine the tuition losses. The tuition losses for the general academic and health related institutions is estimated to be \$95.1 million in fiscal year 2010 and \$198.3 million in fiscal year 2011. The revenue losses would continue to increase in the out years.

For the tuition rates (Section 54.051 of the Education Code) at community colleges the Higher Education Coordinating Board determined the tuition increased from \$1,300 in fiscal year 2009 to \$1,864 in fiscal year 2014 assuming a 7.47% increase per year. The number of FTSE students for community colleges was 320,175. For purposes of this fiscal note it is assumed that the FTSE would remain constant. The amount of tuition at the level rates was subtracted from the anticipated amount of tuition without regulation to determine the tuition losses. The tuition losses for the community colleges is estimated to be \$31.2 million in fiscal year 2010 and \$64.7 million in fiscal year 2011. The revenue losses would continue to increase in the out years.

Based on these calculations the total decrease in tuition revenue would be \$126.3 million in fiscal year 2010 and \$263.0 million in fiscal year 2011.

## **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, 781 Higher Education Coordinating Board

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