

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 13, 2009**

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

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

**IN RE: HB4222** by Branch (Relating to limitations on increases in designated tuition charged by general academic teaching institutions and a biennial report to the legislature regarding the operational costs of those institutions.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4222, As Introduced: a negative impact of (\$275,140) 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	(\$137,570)
2011	(\$137,570)
2012	(\$137,570)
2013	(\$137,570)
2014	(\$137,570)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Institutional Funds</i> 997
2010	(\$137,570)	\$0
2011	(\$137,570)	(\$86,582,441)
2012	(\$137,570)	(\$89,127,762)
2013	(\$137,570)	(\$100,887,164)
2014	(\$137,570)	(\$122,608,393)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	2.0
2011	2.0
2012	2.0
2013	2.0
2014	2.0

**Fiscal Analysis**

The bill would limit increases in designated tuition charged by general academic institutions. For 2010-2011 academic year (fiscal year 2011), the amount of tuition the governing board of a general academic teaching institution charges under this section to a student may not exceed the total amount

of tuition that the governing board would have charged under this section to a similarly situated student in the 2008-2009 academic year by more than the greater of: (1) 3.95 percent; or (2) \$280. For subsequent academic years, the amount of tuition the governing board of a general academic teaching institution charges under this section to a student for an academic year may not exceed the total amount of tuition that the governing board would have charged under this section to a similarly situated student in the preceding academic year by more than the greater of: (1) 3.95 percent; or (2) \$280. Under provisions of the bill, the Texas Higher Education Coordinating Board will adopt rules authorizing a general academic teaching institution to increase the amount of designated tuition charged to students by more than the limitation prescribed in the bill in the event of an emergency.

The bill would also require the Legislative Budget Board to submit a report regarding university core operational costs December 1st of each even numbered year to the Senate Finance Committee, the House Appropriations Committee, and each standing committee of each house with primary jurisdiction over higher education. The report would include: (1) each general academic teaching institution's actual core operational costs for the current state fiscal biennium according to the institution's most recent annual financial reports; and (2) the Legislative Budget Board's estimate of the core operational costs for the next state fiscal biennium for each general academic teaching institution, based on a methodology that: (A) projects for each year of the next biennium: (i) changes in student enrollment for each institution; and (ii) a rate of inflation; and (B) uses data from each institution's annual financial report regarding costs for instruction, academic support, institutional support, operations and maintenance of physical plants, and student services.

## **Methodology**

Since the changes in designated tuition rates begin with the 2010-11 academic year (fiscal year 2011), there will be no impact in fiscal year 2010. Based on tuition information reported to them by the general academic teaching 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. Under provisions of the bill, the institutions could raise designated tuition by the greater of 3.95% or \$280. The Board found that the increase of \$280 was higher than the 3.95% increase for fiscal years 2011-2014. The Board then calculated the number of students that would be impacted.

In fall 2007 the full-time student equivalent (FTSE) number of all students was 392,792. This number includes 328,452 undergraduates and 64,360 graduate students enrolled at general academic institutions. For purposes of this fiscal note, the Higher Education Coordinating Board 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 fiscal year 2011 and beyond were limited to the annual increase in of \$280. For 2011 they limited the increase to \$280 over the 2009 rate of \$2,885 (\$3,165). They subtracted the amount of designated tuition with the \$280 increase from the anticipated amount of designated tuition (without regulation). They then multiplied the estimated number of FTSE for group and for each year by the difference calculated above. Based on this methodology, the lost revenue (institutional funds) is estimated to be \$86.6 million in fiscal year 2011 growing to \$112.6 million in fiscal year 2014.

The Legislative Budget Board would need to hire an additional analyst at a total cost for salaries and benefits of \$73,285 per year and a new programmer at a total cost for salary and benefits of \$64,285 per year to implement provisions of the bill.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 758 Texas State University System, 781 Higher Education Coordinating Board

**LBB Staff:** JOB, KK, RT, GO