

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 2009

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

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

IN RE: SB324 by Shapleigh (Relating to the tuition rebate program for certain undergraduate students at general academic teaching institutions.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The Bill would provide tuition rebates to undergraduate students graduating in three years or less. These rebates are to be two times the applicable certified tuition for the applicable interval. Additional considerations are made for students who paid less than the applicable certified tuition rates, or, paid tuition to other institutions during the three year period. Tuition rebates may be reduced to the tuition actually paid in these circumstances. Changes to this law apply only to a student who is awarded a baccalaureate degree on or after September 1, 2009.

The Higher Education Coordinating Board indicates that the number of students who qualify to receive a tuition rebate has been increasing each year. From fiscal year 2004 to fiscal year 2008, a total of 17,397 students received tuition rebates, at a total cost of \$17,279,358. For fiscal year 2008, 3,649 students received rebates. From fiscal year 2004 through fiscal year 2008, the number of tuition rebate recipients increased 11.9%. This amounts to an average annual increase of 3%.

The bill calls for the the average of tuition increases from 2003-2004 through 2009-2010. For the amount of the rebate, the Higher Education Coordinating Board looked at the percent increase in statutory and designated tuition in the four most recent years for which data was available. The average statewide percentage increase in tuition since tuition deregulation went into effect is 53%. The tuition rebate for fiscal year 2010 (students graduating during the 2009-2010 academic year) would be \$1000 multiplied by 1.53, or \$1,530. Using tuition information reported to the Higher Education Coordinating Board by institutions, the Board determined that tuition rates at general academic teaching institutions have increased, on average, by 9% over the past 3 years. Assuming a tuition rebate increase of 9% for each subsequent year, based on the rough average of tuition increases following the Fall 2004 increase, the approximate tuition rebate for the upcoming five years would be: fiscal year 2010: \$1530; fiscal year 2011: \$1668; fiscal year 2012: \$1818; fiscal year 2013: \$1982; and fiscal year 2014: \$2160.

Beginning with 3,649 students for fiscal year 2008 and taking into account the assumptions above, the total amount of tuition rebates would be approximately \$5.9 million in fiscal year 2010, \$6.6 million in fiscal year 2011 and growing to \$9.4 million by fiscal year 2014.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration

LBB Staff: JOB, KK, RT, GO