

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 21, 2009

TO: Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

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

IN RE: SB326 by Shapiro (Relating to stabilizing the amount of tuition charged to certain residents of this state by general academic teaching institutions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB326, As Introduced: an impact of \$0 through the biennium ending August 31, 2011. Although the bill would not impact general revenue, the designated tuition rates charged by general academic teaching institutions could be impacted significantly.

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	\$0
2011	(\$13,000,741)
2012	(\$35,427,037)
2013	(\$80,387,834)
2014	(\$138,374,613)

Fiscal Analysis

Under provisions of the bill, a general academic teaching institution may not charge to a student, for any course in which the student enrolls after the student's freshman year, tuition at a rate that exceeds the rate in effect for that course during the student's freshman year, or for a course that was not offered during the student's freshman year, at a rate that exceeds the rate in effect for an equivalent course during the student's freshman year.

The provisions begin with students entering in fall 2009 (fiscal year 2010). The tuition rate in effect for freshmen in fiscal year 2010 cannot be increased by the institutions in the following year, 2011. As a result the first year the institutions will be impacted will be in fiscal year 2011, when returning fiscal year 2010 students pay stabilized tuition rates.

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 \$3,129 in fiscal year 2010 and \$3,393 in fiscal year 2012. The tuition would continue to increase to \$4,328 by fiscal year 2014. The Board then calculated the number of students that would be impacted.

In fall 2007, the number of full-time student equivalent (FTSE) resident, freshmen enrolled in general academic teaching institutions was 56,722. The first-time entering freshman retention rate for universities was 86.70%. The Higher Education Coordinating Board multiplied the numbers of freshmen equivalents by the retention rates to derive the number of students impacted by the provisions. They assumed the retention rates decreased by 8% each year and made the same calculation for each year.

In order to derive the amount of tuition revenues lost by the schools they multiplied the number of FTSE freshmen by the persistence rate, and the result of that calculation by the change in designated tuition each student would have paid if rates were held constant. They subtracted this amount from the anticipated amount of designated tuition (without regulation).

In fiscal year 2010, the freshman would be charged \$3,129 in designated tuition. For fiscal year 2011, the estimated tuition rate would be \$3,393 and the constant rate \$3,129. This difference (\$264) was multiplied by 49,178 (56,722 multiplied by .8670) to calculate the lost revenue for fiscal year 2011. Similar calculations were done for the remaining years.

Based on these assumptions the decrease in designated tuition revenue for fiscal year 2011 would be \$13 million. The revenue losses would continue to increase in the remaining years as more freshman cohorts enter the institutions.

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, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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