

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: SB667 by Shapleigh (Relating to student Internet access to financial and academic information maintained by public institutions of higher education and to a fixed tuition rate provided by certain institutions of higher education to students for satisfactory academic performance.), **As Introduced**

<p>Estimated Two-year Net Impact to General Revenue Related Funds for SB667, 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.</p>
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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	\$0
2012	(\$12,689,373)
2013	(\$32,496,866)
2014	(\$53,890,420)

Fiscal Analysis

The bill requires an institution to provide students with certain financial and academic information through its website, including tuition or fees the student owes, any type of grants, loans, or other financial aid available to a student, money the student owes on student financial aid loans, the courses in which the student is currently enrolled, the names and grades of the courses completed, and the courses required for the student's degree plan.

The bill also includes language relating to fixed tuition rates charged by general academic institutions for certain students. Under provisions of the bill, the governing board of a general academic teaching institution may not charge an undergraduate student tuition at a rate that exceeds the rate the institution charged the student during the first semester or other academic term the student enrolled in the institution if the student meets certain criteria. The provisions begin with students entering in fall

2010 (fiscal year 2011). The tuition rate for students that meet the requirements in fiscal year 2011 cannot be increased by the institutions in the following year, 2012. As a result the first year the institutions will be impacted will be in fiscal year 2012, when the returning fiscal year 2011 students pay stabilized tuition rates.

Methodology

The provision of the bill requiring each institution to post certain information on the institution's website will be implemented within existing resources.

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 2011. The tuition rates would be \$3,680 in fiscal year 2012 and \$3,991 and \$4,328 for fiscal year 2013 and 2014 respectively. 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%. They assumed that 90% of students would meet the requirements that students enroll full-time, complete 75% of coursework, and maintain a 2.5 GPA. They multiplied the numbers of freshmen equivalents by the retention rates and multiplied those results by 90% to derive the number of students impacted by the provisions.

In fiscal year 2011, the freshman would be charged \$3,393 in designated tuition. For fiscal year 2012, the estimated tuition rate would be \$3,680 while the returning eligible students would pay the constant rate of \$3,393. This difference (\$287) was multiplied by 44,260 ($56,722 \cdot .8670 \cdot .90$) to calculate the lost revenue for fiscal year 2012. Similar calculations were done for the remaining years. Based on these assumptions the decrease in designated tuition revenue for fiscal year 2012 would be \$12.7 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: 758 Texas State University System, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board

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