

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

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

**May 22, 2009**

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

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

**IN RE: SB1443** by Zaffirini (relating to the academic costs charged to resident undergraduate students by general academic teaching institutions and to certain reports regarding certain costs of those institutions.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1443, Committee Report 2nd House, Substituted: a negative impact of (\$275,140) through the biennium ending August 31, 2011. The bill would limit the amount of designated tuition and fees a general academic teaching institution could charge. The impact on institutional funds would be significant.

**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 Revenue (Loss) from <i>Institutional Funds</i> 997	Probable (Cost) from <i>General Revenue Fund</i> 1
2010	\$0	(\$137,570)
2011	(\$10,637,806)	(\$137,570)
2012	(\$17,637,806)	(\$137,570)
2013	(\$18,259,438)	(\$137,570)
2014	\$0	(\$137,570)

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 limits increases in total academic costs a general academic teaching institution can charge to resident undergraduate students. The bill also requires certain reports regarding core operational costs to be submitted to the legislature. The impact on designated tuition and fees will be shown under Institutional Funds.

Under provisions of the bill, the total academic costs charged by a general academic institution to an undergraduate student who is a resident of the state may not exceed the total academic costs that the institution would have charged to a similarly situated student in the preceding academic year by more than the great of: (1) 3.95 percent; or (2) \$280. This section would apply to total academic costs charged to student for the 2010-11, 2011-12 and 2012-13 academic years by a general academic teaching institution. The section would expire on September 1, 2013.

Under provisions of the bill, not later than September 1 of each even-numbered year, the Legislative Budget Board shall submit to the Senate Finance Committee, the House Appropriations Committee, and the standing committee of each house with primary jurisdiction over higher education, for consideration by the members of those committees in determining the amount of general revenue appropriations to general academic teaching institutions and tuition rates at those institutions, 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: (1) projects for each year of the next biennium: (A) changes in student enrollment for each institution; and (B) a rate of inflation; and (2) 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**

The limitation on total academic costs would become effective beginning in fiscal year 2011 and expire on September 1, 2013, therefore the impact on insitutional funds will from 2011 through 2013.

Using tuition and fee information reported to the Coordinating Board by institutions they determined that tuition rates plus mandatory fees at general academic teaching institutions (GATI) have increased, on average, by 7.93% per year for the past 4 years. However, they believe that the rate of increase will slow to about 4.76% (60% of the current rate of increase). In fall 2007 the full-time student equivalent (FTSE) of undergrads, resident, enrolled in GATIs was 311,456. They assumes that the FTSE remains constant. To derive the amount of tuition and fee revenues lost by the schools they multiplied the number of FTSE by the change in tuition and mandatory fees each student would have paid if rates were held to the greater increase of 3.9 5% or \$280. They subtracted the amount of tuition and mandatory fees calculated using the greater increase from the anticipated amount of tuition and mandatory fees (without regulation). They then multiplied the estimated number of FTSE for each year by the difference calculated above.

For fiscal year 2010, the estimated tuition and fees without regulation was estimated to be \$6,601 increasing to \$6,915 by 2011. The allowed increase under the bill for 2011 would be \$6,601 plus \$280 increase (which is higher than a 3.95% increase for that year) or \$6,881. The difference based on these calculations between the projected increase without regulation (\$6,915) minus the allowed increase (\$6,881) is \$34 for fiscal year 2011. This differential was multiplied by 311,456 to get the estimated loss revenue of \$10.6 million for fiscal year 2011. Similar calculations were done for fiscal year 2012 and fiscal year 2013.

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 regarding the biennial report. The total administrative costs would be \$137,570 per year.

## **Local Government Impact**

No significant 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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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