

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 23, 2011

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

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

IN RE: HB2999 by Lewis (relating to a fixed tuition rate program for certain students who transfer to a state university after completing an associate degree program.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

Under provisions of the bill, a general academic teaching institution may develop a fixed tuition rate program for qualified students who agree to transfer to the institution within 12 months after successfully earning an associate degree at a lower-division institution of higher education. The bill specifies that in such a program, the general academic teaching institution (GATI) must do the following: (1) guarantee admission to the sponsoring GATI and acceptance to the student's degree program of choice to an otherwise eligible participating lower-division institution student; and (2) guarantee to charge the participating student for any semester or other academic term during a period of at least 24 months following the student's initial enrollment in the institutions a fixed tuition rate equal to the rate that would have been charged the student his/her freshman year, had the student been enrolled in the GATI as a freshman or the fall semester of the second year preceding the academic year of the student's initial enrollment in the general academic teaching institution.

Based on responses from institutions of higher education it appears the program would not be implemented but included below is an estimate based on information provided by the Higher Education Coordinating Board on what the maximum impact would be if fully implemented.

In fiscal year 2010, 7,141 associate degree recipients transferred into general academic teaching institutions. Between fiscal year 2010 and fiscal year 2011, the average designated tuition rate for 30 semester credit hours rose 6.92% -- from \$3,195 to \$3,416. The Higher Education Coordinating Board assumed this rate of increase would remain a constant. Therefore, between fiscal year 2012 and fiscal year 2016, the rate for 30 hours would rise from \$3,652 to \$4,773. The impact per full-time student equivalent (person taking 30 hours per year) for the fix tuition rate is a savings of the designated tuition amount in the year of enrollment less the tuition amount in his/her freshman year. They also assumed the transfer students would have been entering freshmen two years prior – in other words, students entering as associate degree transfers in fall 2011 entered as freshmen in fall 2009, etc. They also assumed the average undergraduate would be taking 80% of a full-time load, so the 7,141 headcount of associate degree transfer students would equal 6,713 full-time student equivalents (FTSEs), dropping to 4,681 in their second years and for the 60% who attend a fifth year before graduating, 4,764 students in the third year.

To calculate the amount of designated tuition saved by the students (and lost to the institutions) they multiplied the expected number of FTSEs per year per cohort times the differential in their projected year designated tuition amount less what they would have paid in their freshman year. In fiscal year 2012, 5,713 FTSEs will enter and save \$457 in designated tuition – generating a total savings for the students of \$2,612,962. The savings would increase in 2013 to \$6,118,494 as a new cohort is added and so on for the out years. Since the program is optional, the impact will most likely be much less than this.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 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, 710 Texas A&M University System Administrative and General Offices, 768 Texas Tech University System Administration

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