



# Tuition Deregulation & Higher Education Spending

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# What is Tuition Deregulation?

- Tuition “deregulation” transferred the authority to set tuition rates from the Texas Legislature to university regents and administrators.

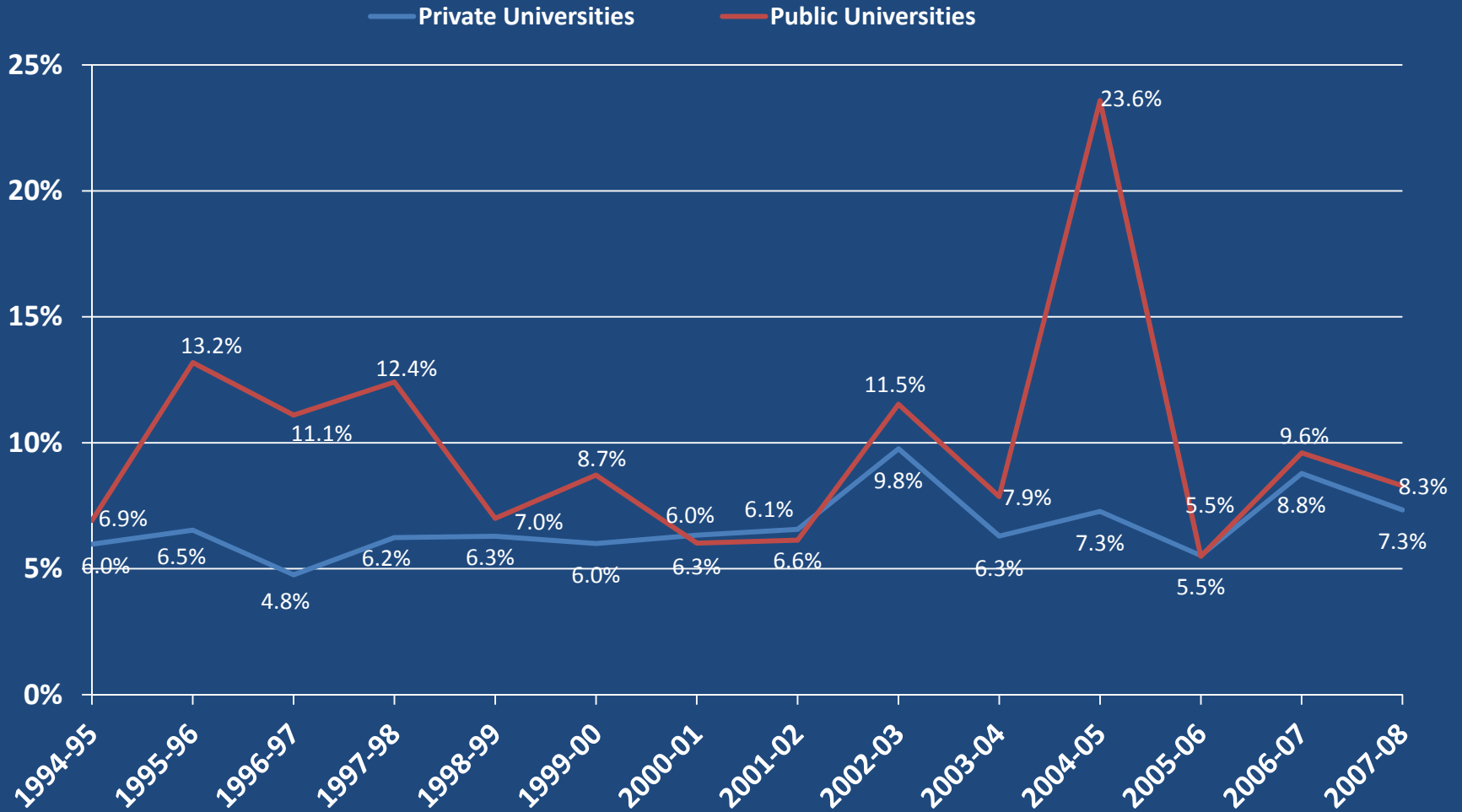
# The History of Dereg

- 2003 budget shortfall
- No new taxes!
- Universities support the policy
- Arguments for and against
- HB 3015

# Key Findings

- Tuition deregulation has:
  - reduced the incentive for Texas universities to keep spending under control
  - shifted some higher education costs from taxpayers to students
  - exposed the lack of price competition in higher education
  - not significantly reduced the *long-term pressure* on state appropriations for higher education.

# Annual Tuition Increases at Texas Public and Private Universities (Year to Year Percent Tuition Growth)



Source: National Center for Education Statistics

Note: Tuition deregulation began the Spring Semester of 2004

# Tuition Increases at Private and Public Universities *Before and After Tuition Deregulation*

	Private	Public
Average Before	6.50%	9.21%
Average After	7.04%	10.98%

# Revenue Growth at Public Universities (2004-2009)

	2003	2009	Increase
Enrollment	372,616	417,895	12.15%
Total Revenue	5,643,814,168	8,347,598,046	47.91%
<i>Per student</i>	15,146	19,975	31.88%
Tuition Revenue	1,346,724,431	2,549,495,939	89.31%
<i>Per student</i>	3,614	6,101	68.80%
State Revenue	2,406,294,666	3,015,056,301	25.30%
<i>Per student</i>	6,458	7,215	11.72%

# State Funding for Public Universities by Fiscal Year

<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
\$2,406,294,666	\$2,356,905,957	\$2,386,973,289	\$2,599,091,546	\$2,623,776,679	\$2,949,486,914	\$3,015,056,301
<b>Change</b>	<b>-2.05%</b>	<b>1.28%</b>	<b>8.89%</b>	<b>0.95%</b>	<b>12.41%</b>	<b>2.22%</b>



# The Effect of Student Loans on Tuition

- <http://reason.tv/video/show/author-richard-vedder-discusse>

# Recommendations

- Improve transparency and accountability
  - Place detailed check registers online
  - Create an annual report that measures the value added by each university and the value added per state and student dollar spent.
  - Identify universities that have administrative expenses disproportionate to their enrollment and require submission and adoption of a plan to control administrative costs
  - Study the feasibility, pros, and cons of placing universities under sunset review
- Shift to student-centered funding
- Separate research and teaching budgets