

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 13, 2003

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB415 by Flores (Relating to state funding of courses offered for joint high school and junior college credit.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB415, As Engrossed: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	(\$1,411,894)
2007	(\$1,551,086)
2008	(\$1,559,956)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND - 1
2004	\$0
2005	\$0
2006	(\$1,411,894)
2007	(\$1,551,086)
2008	(\$1,559,956)

Fiscal Analysis

The bill would repeal the statutory provision directing the commissioners of education and higher education to identify and eliminate instances of duplicate state funding for courses that result in both high school and college credit. The bill also adds a temporary subsection that maintains current law regarding the current treatment of attendance in these "dual credit" courses for fiscal year 2004.

Methodology

Due to the temporary provision maintaining current law in 2004, the bill has no fiscal impact for that fiscal year.

Public Education Impact:

In 2002-03, the Texas Education Agency (TEA) estimates that approximately 2,000 high school students are eligible for only half-day funding due to their enrollment in dual-credit courses. Because this represents a cost to school districts, many districts have adopted, or are planning to adopt, policies limiting dual credit enrollment. Therefore TEA estimates that, due to these policies, the number of students enrolled in these programs will decline significantly in the 2004-05 biennium, to 333 in 2004, 111 in 2005, 37 in 2006 and an insignificant number in the out years. Thus, should enrollment in dual credit courses begin to increase again due to the provisions of the bill (as is assumed below), the cost to the Foundation School Program is not expected to be significantly different than what is happening under current law in 2007 and beyond. In 2005 and 2006, however, the state would incur additional costs to the Foundation School Program as the dual-credit course enrollees currently earning half-time funding become eligible for full-time funding. For 2005, state costs for restoring half-day funding (approximately \$2,400 per student in average daily attendance) for 111 students is estimated to be \$266,400; for 2006, costs would be \$86,000.

Higher Education Impact:

Any assumption on increasing student participation in dual credit courses, and the resulting increase in higher education state funding for these students, would not affect the state budget until fiscal year 2006, when a new base year calculation would be made.

The Higher Education Coordinating Board (THECB) estimates that, as a result of the bill, increases in dual credit enrollment would be five percent per year for three years, with no further additional increases. An additional 2,100 enrollments is equal to 525 full-time student equivalents (FTSE's) in fiscal year 2006, and general revenue (GR) cost is \$2,876 per FTSE. This increases to 552 FTSE's in fiscal year 2007 and 580 in fiscal year 2008, after which no further increase is made. The costs to general revenue from the projected overall increases in students taking college level classes are estimated at \$1,509,900 in fiscal year 2006, \$1,587,552 in fiscal year 2007, and \$1,668,080 thereafter.

General revenue savings occurs because additional students taking dual community college dual credit classes are not assumed to be taking as many of the more costly university classes. The difference between lower division undergraduate FTSEs at universities and community colleges is \$241 per FTSE. Assume that 25 percent of the FTSEs are funded at the lower rate, thereby saving \$31,631 in fiscal year 2006, \$33,258 in fiscal year 2007, and \$34,945 thereafter.

There would also be a savings associated with the reduced use of TEXAS Grants because students would complete approximately one semester of course work before graduating from high school. Based on current rates of financial need, it is assumed that approximately 45 of the additional students who would enroll in dual credit courses would qualify for a TEXAS Grant. This would save one semester - or \$1,475 per student - of financial assistance per student, thereby saving \$66,375 in fiscal year 2006, \$69,694 in fiscal year 2007, and \$73,179 in fiscal year 2008.

Technology

No impact to the state's technology costs is expected.

Local Government Impact

School districts would be expected to realize a small gain in state aid in fiscal years 2005 and 2006 above what they otherwise would have received under current law. Given the efforts by districts to limit dual credit course enrollment, any state aid gain is not expected to be significant in subsequent years.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, CT, UP, JGM