

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

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**March 10, 2003**

**TO:** Honorable Geanie Morrison, Chair, House Committee on Higher 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 Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB415, As Introduced:** a negative impact of (\$9,600,000) through the biennium ending August 31, 2005.

The bill would repeal the provision requiring the Commissioners of Education and of Higher Education to enter into an agreement that would prevent duplication of funding for courses that award simultaneous high school and college credit. With removal of the provision, high schools would presumably be allowed to count hours students spend in dual credit courses toward the four hours per day that are necessary for full Average Daily Attendance funding. Junior/community colleges would continue to generate contact hour formula funding for the dual enrollment courses - an arrangement that the current agreement prohibits. The bill would repeal the provision requiring the Commissioners of Education and of Higher Education to enter into an agreement that would prevent duplication of funding for courses that award simultaneous high school and college credit. With removal of the provision, high schools would presumably be allowed to count hours students spend in dual credit courses toward the four hours per day that are necessary for full Average Daily Attendance funding. Junior/community colleges would continue to generate contact hour formula funding for the dual enrollment courses - an arrangement that the current agreement prohibits.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$4,800,000)
2005	(\$4,800,000)
2006	(\$6,212,164)
2007	(\$6,284,600)
2008	(\$6,359,956)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>
2004	\$0	\$0	(\$4,800,000)
2005	\$0	\$0	(\$4,800,000)
2006	\$97,736	(\$1,509,900)	(\$4,800,000)
2007	\$102,952	(\$1,587,552)	(\$4,800,000)
2008	\$108,124	(\$1,668,080)	(\$4,800,000)

## **Fiscal Analysis**

School districts receive funding from the foundation school program based on average daily attendance (ADA). In order to be eligible for full-time funding, students must attend school at least four hours per day. Students who attend at least two hours but less than four hours a day are eligible for half-time funding. Some students who participate in dual-credit courses are currently eligible for half-time funding through the foundation school program because they attend school at their home campus less than four hours per day. Repeal of the prohibition against duplicate funding may make some of these students eligible for full-time funding.

## **Methodology**

This note is based on analyses provided by the Texas Education Agency and the Texas Higher Education Coordinating Board.

Removing a barrier to participation in dual credit for some school districts would result in a small statewide increase in dual credit enrollment, especially for technical courses.

Increases in dual credit enrollment due to this change are assumed to be five percent per year for three years, with no further additional increases. However, changes related to higher education would not affect the state budget until fiscal year 2006, when a new base year calculation would be made.

### **Higher Education Funding:**

An additional 2,100 enrollments is equal to 525 full-time student equivalents (FTSE)'s in fiscal year 2006, and general revenue 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.

GR 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 FTSE's at universities and community colleges is \$241 per FTSE. Assuming that 25 percent of the FTSE's 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.

### **Public Education Funding:**

In 2002-03, there are approximately 4,000 students in the 11<sup>th</sup> and 12<sup>th</sup> grades who are currently eligible for only half-day funding. It is estimated that approximately 2,000 of these students may be enrolled in dual-credit courses. The repeal of the prohibition may allow school districts to claim an additional approximately 1,000 students in average daily attendance (ADA), based on an additional half-day for each of the 2,000 students. State revenue per ADA in the regular program averages approximately \$4,800 per student. State costs to implement the bill are estimated at \$4,800,000, based on the additional \$4,800 in state revenue for 1,000 additional ADA. However, anecdotal evidence indicates that at least some school districts have restricted or will restrict enrollment in dual-credit courses in order to avoid any negative impact on funding, thus the cost of repealing the prohibition against duplicate funding may be much smaller than these estimates indicate.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 701 Central Education Agency, 781 Higher Education Coordinating Board  
**LBB Staff:** JK, CT, PF, DSB