

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

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

**May 16, 2003**

**TO:** Honorable Royce West, Chair, Senate Committee on Subcommittee on Higher Education

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1544** by Bonnen (Relating to a pilot project to allow select public junior colleges to offer certain baccalaureate degrees.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1544, As Engrossed: a negative impact of (\$177,584) through the biennium ending August 31, 2005.

The bill would require the Texas Higher Education Coordinating Board to establish a pilot program to examine the feasibility of allowing selected community colleges to offer bachelor of applied science degrees.

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$93,792)
2005	(\$83,792)
2006	(\$122,242)
2007	(\$213,492)
2008	(\$496,992)

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

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Change in Number of State Employees from FY 2003
2004	\$0	(\$93,792)	1.0
2005	\$0	(\$83,792)	1.0
2006	\$230,700	(\$352,942)	1.0
2007	\$946,900	(\$1,160,392)	1.0
2008	\$1,278,600	(\$1,775,592)	1.0

**Fiscal Analysis**

According to the Texas Higher Education Coordinating Board (THECB), there would be a cost for increased staffing (1 full-time program director), beginning in fiscal year 2004. There would also be a general revenue impact of a net increase in enrollment, which will begin in fiscal year 2006.

Total net general revenue cost is estimated to be: \$93,792 in fiscal year 2004, \$83,792 in fiscal year 2005, \$122,242 in fiscal year 2006, \$213,492 in fiscal year 2007, and \$496,992 in fiscal year 2008.

## Methodology

The cost estimates are based on the following assumptions:

1. Five colleges are selected by THECB for the pilot, SACS grants substantive change to all five, and they have an average of three baccalaureate programs each, for a total of 15 programs.

2. Five of the programs begin in Fall 2004 and the other ten begin in Fall 2005.

3. Average enrollment in each program is 20 upper-division students in the initial year, half of whom will be full-time and half of whom will be part-time (6 credit-hour, average). For each subsequent year, each program will enroll 20 new students, half of whom are full-time and half part-time. Thus, total enrollment for

FY 2006 = 100 students statewide;

FY 2007 = 300 new and 100 continuing students;

FY 2008 = 300 new and 350 continuing students.

4. Each entering class of 300 students statewide would include 50 percent (150) who would not have otherwise pursued a baccalaureate degree, 33 percent (100) who would have pursued an academic baccalaureate degree if this program were not available, and 17 percent (50) who would have done an applied baccalaureate degree in any case.

5. The amount of funding for a full-time upper division student is the funding rate for an upper division FTSE at a university (\$3,845 annually), and that amount would be prorated for part-time students (\$1,538 for a student taking 6 credit hour average per semester).

6. Formula funding costs do not occur until fiscal year 2006 - according to the following calculation: Total cost of 50 full time (FT) students @ \$3,845 plus 50 part time (PT) students @ \$1,538 = \$192,250 + \$76,900 = \$269,150. This is partially offset because we estimate that half of these students would have continued in a baccalaurate program, for a net cost of \$134,575. Additional savings occurs because the THECB assumes that 25 students will take 30 fewer semester hours than they otherwise would have. This is a savings of \$3,845 per student, or \$96,125, which is subtracted from \$134,875, for a net cost of \$38,450. During the first year, we assume that no additional students enroll at a community college because this program exists.

7. Calculation for fiscal year 2007. With 15 programs enrolling 300 new and 100 continuing students, half of these are FT and half are PT. Costs for the 200 FT students is \$769,000, and for the 200 PT students is \$307,600, or a total of \$1,076,600. Because half of the participants would have attended regardless, the cost is reduced by half (\$538,300). Similarly, 100 of the new students will each save the state \$3,845 for a year of course work that will not need to be taken, for a total savings of \$384,500. Finally, 100 students statewide will spend their first year of college a community college rather than a university because of the pilot programs. The difference in annual cost is \$241 per student, meaning the state will save \$24,100. Total cost is estimated to be \$129,700 (\$538,300 - \$384,500 - \$24,100).

8. Calculation for fiscal year 2008. There are 300 new and 350 continuing students, including 300 FT and 350 PT. Cost for 300 FT at \$3,845 per student is \$1,153,500, plus 350 PTs (\$1,538) at \$538,300, for a total cost of \$1,691,800. Divide this by 2 to account for those who would be in a baccalaurate program despite the pilot, which equals \$845,900. Because 100 of the new students will save the state \$3,845 each for courses that will not need to be taken (a savings of \$384,500), the cost is brought down to \$461,400. Finally, add 100 students already in the pipeline, and another 100 students statewide who will complete the lower division at a community college instead of a university. These 200 students will save \$241 per student, or a total of \$48,200. Total net cost is \$461,400 - \$48,200 or \$413,200.

9. The THECB would need one additional FTE (at Program Director level) to absorb the work associated with this program. The work would concern program review, finance, and data services. The cost of adding the additional Program Director would begin in fiscal year 2004 and continue

through fiscal year 2008.

### **Local Government Impact**

The five community college districts participating in the pilot program would experience increased revenues from the general revenue for the upper division semester credit hours generated. They may also generate increased tuition and fee revenues, if they elect to charge students higher tuition and fees for these courses.

**Source Agencies:** 781 Higher Education Coordinating Board

**LBB Staff:** JK, CT, PF, DSB