

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 25, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1882 by Deshotel (Relating to incentives for certain high schools and high school students to participate in the Early High School Graduation Scholarship program.), As Engrossed

No significant fiscal implication to the State is anticipated.

The bill would implement recommendation ED 6 from the current, Comptroller's e-Texas report related to expanding the Early High School Graduation Scholarship Program and providing payments to school districts for eligible students. The Comptroller's Office estimates the implemented recommendation would save \$2,498,000 in general revenue in the 2004-2005 biennium.

The Texas Education Agency (TEA) has indicated that the Early High School Graduation Scholarship Program was originally established on the premise that the early graduation of students would result in a savings to the state for the amount of funds that would have been spent to provide the student's fourth year of high school. TEA states that it has no definable methodology within the Foundation School Program to identify when savings occur due to early graduation, particularly since aid is generated on a total Average Daily Attendance basis rather than tied to a particular student. In addition, TEA indicates that it would be difficult to determine in what year any savings would occur since the savings result in cost avoidance rather than receipt of refunds to the state.

TEA states that if this bill had been in effect in 2002 and all eligible graduates had participated in the program, the cost to the state would have been \$17.1 million for scholarship awards and payments to school districts. However, Foundation School Program costs would have remained the same. In order to offset the additional costs of the awards and district payments, an additional 8,574 students would have had to graduate within 36 months or an additional 9,798 students would have had to graduate in 41 months with college credit. In addition, the implementation of the recommended high school program as the standard graduation requirement for entering high school freshmen in 2004-05 would also affect students' ability to participate in the program. TEA indicates that costs might be offset in future years if a larger number of students graduate early; however, at this time TEA cannot accurately estimate the number of additional students that might graduate early due to the incentives in this bill.

The Higher Education Coordinating Board has indicated technological and administrative costs of \$312,600 in fiscal year 2004 and \$212,000 in fiscal year 2005 due to the increase in the number of recipients and additional reporting requirements required by this bill. However, since TEA did not provide an actual estimate of the additional recipients that would participate, the costs to the Coordinating Board are not included in this estimate.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency, 781 Higher Education Coordinating Board

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