

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 4, 2011

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB2517 by Villarreal (Relating to eligibility for state credits for college tuition and fees for public high school students who receive diplomas by demonstrating early readiness for college.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2517, As Introduced: a negative impact of (\$16,253,275) through the biennium ending August 31, 2013.

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
2012	(\$6,557,375)
2013	(\$9,695,900)
2014	(\$9,871,400)
2015	(\$10,046,900)
2016	(\$10,225,275)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193
2012	(\$147,000)	(\$6,410,375)
2013	(\$29,400)	(\$9,666,500)
2014	(\$29,400)	(\$9,842,000)
2015	(\$29,400)	(\$10,017,500)
2016	(\$29,400)	(\$10,195,875)

Fiscal Analysis

The bill would create an entitlement to a state credit for tuition and fees for students who graduate with a high school diploma under the early college readiness diploma program and would expand the program from pilot status. A graduate who receives a high school diploma through the program would be entitled to a state credit equal to one half of the average amount per student of savings to the state and to school districts through the Foundation School Program (FSP) as a result of early graduation.

The bill would amend statutory provisions related to the Early High School Graduation Scholarship program such that state credits received under the provisions of the bill would be considered the allocation of scholarship funds under the Early High School Graduation Scholarship program, and graduates receiving diplomas and state credits under the early college readiness diploma program

would not be entitled to an allocation from the Early High School Graduation Scholarship program separate and in addition to state credits earned under the provisions of the bill.

The bill would amend Section 42.005, Education Code pertaining to average daily attendance (ADA) to add to current ADA a total of 50% of the graduated students who received a diploma under the program in the preceding school year. The additional ADA would be included in the calculation of affected school districts' entitlement under the FSP.

Methodology

For purposes of this estimate it is assumed that a population of graduates equal to one-half of the 2010 population of recipients of early high school graduation scholarships would receive diplomas through the early college readiness diploma program and be eligible for state credits under the provisions of the bill. The population is assumed to increase at the same rate as the overall elementary and secondary student population, estimated at 1.8 percent annually. These assumptions yield a population estimate of 1,421 in fiscal year 2012 and 1,447 in fiscal year 2013, increasing to 1,526 by fiscal year 2016.

The average FSP entitlement per student is assumed to be \$7,750 per year. Based on this assumption, the state credits allocated to graduates under the provisions of the bill are estimated to cost \$3,875 per student, or a total of \$5.5 million in fiscal year 2012, \$5.6 million in fiscal year 2013, and increasing to \$5.9 million by fiscal year 2016.

Under the provisions of the bill, school districts would count as additional ADA, 50 percent of the graduates who received diplomas in the prior year under the program for purposes of determining FSP entitlements. For purposes of this estimate, the projection of graduates, 50 percent of whom would be included as additional ADA, is assumed to be 600 in fiscal year 2011 (affecting fiscal year 2012) and the same as the projections referenced above (lagged by one year) for all other fiscal years. FSP entitlement amounts associated with these additional ADA are estimated at \$2.3 million in fiscal year 2012, \$5.5 million in fiscal year 2013, and increasing to \$5.8 million by fiscal year 2016.

The Texas Education Agency (TEA) estimates programming costs of \$147,000 in fiscal year 2012 for modifications to the Public Education Information Management System (PEIMS) and the FSP Payment System to create indicators, modify data collection regarding ADA, and modify entitlement calculations to comply with the provisions of the bill. Associated ongoing maintenance costs are estimated at \$29,400 annually beginning in fiscal year 2013.

For purposes of this estimate, it is assumed that students receiving diplomas under the program would have otherwise graduated early and been entitled to an allocation of funds under the Early High School Graduation Scholarship program. Under that program, the average award is assumed at \$1,000 per student. Since the graduates would receive tuition and fee credits in place of the \$1,000 Early High School Graduation Scholarship, the state would realize reduced costs for the Early High School Graduation Scholarship program of \$1.4 million in fiscal year 2012 and \$1.4 million in fiscal year 2013, increasing to \$1.5 million by fiscal year 2016.

Under current law, students graduating early reduce the count of students generating FSP entitlement in the year following the early exit, thereby representing a savings to the FSP. Under the assumptions described above, students who graduate under the early college readiness diploma program would be expected to graduate early regardless of the provisions of the bill. As a result, the bill would not be expected to generate new savings due to early exit from FSP participation.

Estimates of fiscal impact included herein are made without consideration of current deliberations by the Eighty-second Legislature regarding the state budget for the 2012-13 biennium or any other change in state law that may be enacted under the provisions of any other bill currently under deliberation.

Technology

The Texas Education Agency (TEA) estimates programming costs of \$147,000 in fiscal year 2012 for

modifications to the Public Education Information Management System (PEIMS) and the FSP Payment System to create indicators, modify data collection regarding ADA, and modify entitlement calculations to comply with the provisions of the bill. Associated ongoing maintenance costs are estimated at \$29,400 annually beginning in fiscal year 2013.

Local Government Impact

School districts would receive additional FSP entitlement through the addition to ADA of 50 percent of the graduates from the district who received a diploma through the early college readiness diploma program in the prior school year. While the amount of additional FSP entitlement would vary among districts depending upon the number of applicable early graduates in the district, increased FSP entitlement of \$2.3 million would be anticipated on a statewide basis in fiscal year 2012, increasing to \$5.5 million in fiscal year 2013 and to \$5.8 million by fiscal year 2016.

Source Agencies: 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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