

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 12, 2011

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

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

IN RE: SB975 by Hinojosa (Relating to the operation of dropout recovery programs by certain public junior colleges in partnership with school districts.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB975, As Engrossed: an impact of \$0 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	\$0
2013	\$0
2014	(\$27,826,694)
2015	(\$28,327,574)
2016	(\$28,837,471)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2012	\$0
2013	\$0
2014	(\$27,826,694)
2015	(\$28,327,574)
2016	(\$28,837,471)

Fiscal Analysis

Beginning in fiscal year 2013, the bill would allow a public junior college located in a county with a population of 750,000 or more in which less than 65 percent of the population aged 25 years or older has graduated from high school to partner with school districts in the junior college district with dropout rates greater than 15 percent to provide a dropout recovery program for people aged less than 26 years who must complete three or fewer credits to obtain a high school diploma or who has failed to perform satisfactorily on a state assessment instrument. Beginning in fiscal year 2014, the bill would allow such partnerships statewide.

An eligible public junior college providing a dropout recovery program that meets the requirements of the bill would be permitted to enter into agreements with partner school districts under which the public junior college could receive funding from partner school districts in amount up to the total

average Foundation School Program (FSP) funding per student for operations for which the school district in which the student would otherwise have attended school in the preceding school year would have been entitled, excluding funding from the Available School Fund.

The bill would allow the school district in which a student enrolled in a dropout recovery program authorized by the bill to include that student in attendance counts for purposes of determining Foundation School Program funding entitlement.

Methodology

Based on data from the U.S. Census Bureau, Hidalgo County is the only county that would meet the eligibility requirements for the first year of the program related to population size and educational attainment specified by the bill.

The bill indicates that in the first year of the program, participation would be limited to school districts with a dropout rate greater than 15 percent. The term "dropout rate" is not defined by the bill, and employing two common interpretations of this term, annual dropout rates and four-year completion rates, produces different cost estimates.

Using annual dropout rates, the only school district eligible to participate is the Vanguard Academy charter school. Vanguard Academy produced 543 dropouts over the past seven years who could be eligible to participate in the program. Assuming that 5 percent of these students would participate yields a participating population assumption of 27 students. Based on the stipulation in the bill that participating students must be within 3 course credits of graduation, it is assumed each of these students equates to one-half of a student in average daily attendance (ADA) for purposes of generating the funding entitlement under the FSP stipulated by the bill. Cost to the FSP is not estimated to be significant and is estimated at less than \$150,000 in fiscal year 2013.

Assuming that four-year completion rates are used for purposes of establishing the limitation on participation in the first year of implementation, the Vanguard Academy charter school, One Stop Multiservice Charter, Donna ISD, Ed Couch-Elsa ISD, and McAllen ISD would be eligible to participate. These Local Education Agencies (LEAs) produced 5,213 dropouts over the past seven years who could be eligible to participate in the program. Assuming that 5 percent of these students would participate yields a participating population assumption of 260 students. Based on the stipulation in the bill that participating students must be within 3 course credits of graduation, it is assumed each of these students equates to one-half of an ADA for purposes of generating the funding entitlement under the FSP stipulated by the bill. Cost to the FSP under this scenario is not estimated to be significant and is estimated at less than \$1 million in fiscal year 2013.

Beginning in fiscal year 2014, the program would be open to public junior colleges and school districts statewide. Using the fiscal year 2010 population of dropouts as the base year and growing that population at the same rate as the overall elementary and secondary student population, assumed at 1.8 percent, and assuming 5 percent of the eligible population would participate, produces an eligible population of 7,322 in fiscal year 2014, 7,454 in fiscal year 2015, and 7,588 in fiscal year 2016. Based on the stipulation in the bill that participating students must be within 3 course credits of graduation, it is assumed each of these students equates to one-half of an ADA for purposes of generating the funding entitlement under the FSP stipulated by the bill. Based on an assumed statewide average FSP entitlement of \$7,600, the cost of additional entitlement associated with the program is estimated at \$27.8 million in fiscal year 2014, \$28.3 million in fiscal year 2015, and \$28.8 million in fiscal year 2016.

Local Government Impact

School districts in Hidalgo County could enter into partnerships with public junior colleges to provide dropout recovery programs and could earn state funding through the FSP for participating students.

Source Agencies: 701 Central Education Agency, 781 Higher Education Coordinating Board

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