

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**February 12, 2013**

**TO:** Honorable Dan Patrick, Chair, Senate Committee on Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB3** by Patrick (Relating to public high school graduation, including curriculum requirements for graduation and funding in support of certain curriculum authorized for graduation.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB3, As Introduced: a negative impact of (\$35,184,415) through the biennium ending August 31, 2015.

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
2014	(\$15,477,301)
2015	(\$19,707,114)
2016	(\$25,279,413)
2017	(\$28,936,031)
2018	(\$32,390,957)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Tuition and Fees</i> 997	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2014	\$0	\$4,038,923	(\$15,477,301)
2015	\$0	\$4,038,923	(\$19,707,114)
2016	(\$2,314,052)	\$4,038,923	(\$22,965,361)
2017	(\$2,314,052)	\$4,038,923	(\$26,621,979)
2018	(\$2,314,052)	\$4,038,923	(\$30,076,905)

**Fiscal Analysis**

The bill would eliminate the Minimum, Recommended, and Advanced High School graduation

programs, and would create the Foundation High School Program, which would be similar to the current Minimum High School Program. The bill would create endorsements on a student's diploma and transcript if the student completes certain courses. The endorsements would include business and industry; academic achievement in arts and humanities; academic achievement in science, technology, engineering, and math (STEM); and distinguished achievement.

The bill would require the Commissioner of Education to adopt a transition plan to implement the bill beginning with the 2013-14 school year. The bill would allow any student who entered ninth grade before the 2013-14 school year to choose whether to elect the Foundation High School Program, or the previous system of Minimum, Recommended, and Advanced High School Programs.

The bill would allow STEM courses to be substituted for other math and science courses required for graduation under the Foundation High School Program.

The bill would require the Commissioner of Education to determine the performance level for "distinguished performance" on assessments.

The bill would require a student to only take an end-of-course (EOC) assessment for a course in which they are enrolled.

The bill would amend Section 42.154, Education Code to expand Foundation School Program weighted funding for career and technology education courses, currently earned by students in grades 9-12, to include students in grade 8 beginning with the 2013-14 school year.

The bill would apply beginning with the 2013-14 school year.

## **Methodology**

Under current law, the default graduation plan is the Recommended High School Program, which requires four credits each in English language arts, mathematics, science, and social studies, among other requirements. A student graduating under the Recommended High School Program is also required to pass 15 EOC assessments, including 3 EOC assessments each in reading, writing, mathematics, science, and social studies. The bill would change the default graduation plan to the Foundation High School Program and would require four credits of English language arts, 3 credits each of mathematics and social studies, and two credits of science. Since the bill requires a student to only take an EOC assessment for a course in which they are enrolled, a student graduating under the Foundation High School Program without endorsements would only be required to complete 14 EOC assessments, including 3 EOC assessments each in reading, writing, mathematics, and social studies, and 2 EOC assessments in science. In the 2010-11 school year, 290,581 students graduated from high school, and the number of students graduating from high school had grown by an average of 3.9 percent for the five previous school years. This estimate assumes the number of students graduating will continue to grow at a rate of 3.9 percent per year. Since the Foundation High School Program without endorsements is similar to the Minimum High School Program, this estimate assumes the same percentage of students who graduated under the Minimum High School Program when it was the default graduation plan, most recently in the 2003-04 school year, would choose to graduate under the Foundation High School Program without endorsements. In the 2003-04 school year, 31.6 percent of students graduating from high school graduated under the Minimum High School Program. Based on the assumptions regarding the number of graduates described above, this analysis assumes the number of students graduating under the Foundation High School Program without endorsements will be as follows: 45,270 in

fiscal year 2014; 49,289 in fiscal year 2015; and increasing to 62,310 by fiscal year 2018. Since each of these students would be subject to one less science EOC assessment, and the Texas Education Agency reports that, on average, a science EOC assessment costs \$10 per exam to administer; this analysis assumes there would be a savings to General Revenue of \$452,700 in fiscal year 2014; \$492,890 in fiscal year 2015; and increasing to \$623,100 by fiscal year 2018. This estimate assumes that career and technology education (CTE) participation by 8th grade students would be similar to participation by 9th grade students, with about 20 percent enrolled in at least one CTE course at full implementation. The estimate assumes that participation by 8th grade students would phase-in over several years as schools expand course offerings and adjust scheduling options to accommodate increased grade 8 CTE enrollment. Participation in fiscal year 2014 is assumed at 10 percent, increasing incrementally each year until reaching 20 percent in fiscal year 2018. Under these assumptions, the estimated state cost to the Foundation School Program would be \$15.9 million in fiscal year 2014 and \$20.2 million in fiscal year 2015, increasing incrementally to \$30.7 million by fiscal year 2018 when full implementation is attained. This analysis assumes that the Commissioner of Education would equate distinguished performance on assessments with the current advanced academic performance. There could be additional savings if the State Board of Education allowed certain STEM courses to be substituted for mathematics and science courses for which an EOC assessment is currently required at a savings of \$10 per exam.

The Higher Education Coordinating Board estimates that based on the difference in college readiness between the Recommended High School Program and the Foundation High School Program (minimum program) an additional 5,953 students would need additional developmental education courses. They have estimated that of this amount, 4,677 would attend community colleges and 1,276 would attend four-year universities. They estimate that this would result in an additional \$1.8 million in general revenue formula funding and \$2.5 million in additional tuition and fees at community colleges and \$.5 million in general revenue formula funding and \$1.6 million in additional tuition and fees at four year universities. The total general revenue cost for community colleges and four year institutions would be \$2.3 million per year. Because formula funding is based on a historical base period, the general revenue impact would not be realized until beginning in fiscal year 2016. The additional tuition and fees would be \$4 million per year starting in fiscal year 2014.

### **Local Government Impact**

Implementing the provisions of this bill, a school district may incur additional costs to develop personal graduation plans for all students enrolled in junior high, middle, or high school. A school district might choose to adjust the courses available to align with the requirements of the Foundation High School Program. Any costs incurred by school districts in implementing these provisions could vary widely.

School districts enrolling eighth grade students in CTE courses would realize additional revenue under the Foundation School Program.

**Source Agencies:** 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

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