

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4942-01
Bill No.: HB 1543
Subject: Education, Higher; Education, Elementary and Secondary
Type: Original
Date: December 22, 2015

Bill Summary: This proposal specifies that students shall not receive A+ tuition reimbursement for remedial college courses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$2,992,798	\$927,767	\$0
Total Estimated Net Effect on General Revenue	\$2,992,798	\$927,767	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight notes this proposal specifies that students shall not receive A+ tuition reimbursement for remedial college courses. The A+ program provides tuition reimbursement to eligible graduates of designated high schools to attend public community colleges, public vocational or technical schools, or private two-year vocational or technical schools. There are 533 designated high schools.

Table 1 - Students receiving A+

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Number of Students Paid	12,090	12,853	13,142	14,000	14,500	15,000
Number of Schools Designated	520	533	533	533	533	533
Total Expenditures	\$28,840,018	\$32,248,624	\$33,564,300	\$37,000,000	N/A	N/A

Source: Department of Higher Education
 N/A not available

Officials at the **Department of Higher Education (DHE)** assume that the savings resulting from this revision will be temporary, since the program continues to grow due to increased student interest and the large number of recently designated high schools. Additionally, many community colleges are taking steps to eliminate the traditional remediation. Community colleges are moving away from traditional remedial education practices toward co-remediation (where students are enrolled in the credit bearing course while receiving remedial assistance in the form of tutoring) and other options for improving services to under-prepared students, the department expects to see the number of students enrolled in remedial courses decline. This would cause the percentage of credit hours that students are eligible to have reimbursed under this bill increase until it was almost 100% again. Consequently, within a relatively short time frame, the savings will be offset by these circumstances.

ASSUMPTION (continued)

In FY 2015, DHE paid out \$33,294,740 to all A+ recipients, approximately 8% of which went to remedial coursework. Assuming a 6% program growth, and a consistent remediation rate, the state would save \$2,992,798 in FY 2017 ($\$33,294,740 * 1.06 * 1.06 = \$37,409,970 * 0.08 = \$2,992,798$).

In FY 2018, the state would take into consideration the savings from remediation during the appropriation process. However, with a 6% program growth, the savings this year would only be \$927,767 ($\$37,409,970 * 1.06 = \$39,654,568 - 0.08\% (\$3,172,365) = 36,482,203, \$37,409,970 - \$36,482,203 = \$927,767$). By FY 2019, there would be no savings to the state as the program growth would override the initial savings.

Oversight will show the savings occurring in FY 2017 and FY 2018. Oversight notes the number of students participating in the program is projected to increase and assumes the amount appropriated to the A+ program will be adjusted to reflect the savings.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Savings - Dept of Higher Education</u> A+ tuition not allowed on remedial courses	<u>\$2,992,798</u>	<u>\$927,767</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$2,992,798</u>	<u>\$927,767</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill specifies that students must not receive A+ tuition reimbursements for remedial college courses. For the purposes of these provisions, "remedial course" means any course that covers content below the postsecondary level.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education



Mickey Wilson, CPA
Director
December 22, 2015

Ross Strobe
Assistant Director
December 22, 2015