

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

## Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 296 (Second Edition)

**SHORT TITLE:** Dropout Recovery Programs.

**SPONSOR(S):** Senators Atwater and McKissick

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>	<b><u>FY 2015-16</u></b>
<b>GENERAL FUND EXPENDITURES</b>					
NCCCS	\$103,200	\$162,867	\$189,916	\$193,714	\$197,589
Public Schools	\$377,213	\$603,797	\$609,144	\$614,419	\$619,838
<b>LOCAL EXPENDITURES</b>					
LEAs	\$37,200	\$54,000	\$54,000	\$54,000	\$54,000
<b>POSITIONS (cumulative):</b> No State positions.					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
NC Community College System (NCCCS), Local Education Agencies (LEAs)					
<b>EFFECTIVE DATE:</b> July 1, 2011					

### **BILL SUMMARY:**

This bill amends G.S. 115D-20(4), to authorize local administrative boards and local school boards to establish dropout recovery programs in the boards' respective areas, subject to State Board of Community Colleges (Board) approval. It further amends Section 7.24(h) of S.L. 2010-13 to add that specified courses provided to students in the Gateway to College programs at the Durham Technical Community College (DTCC) or the College of the Albemarle (COA) will generate State funding through budget FTE. Finally, it directs the Board, with the State Board of Education, to develop a process to approve high school dropout recovery program partnerships between local community colleges and local school administrative units, to examine specified programs for best practices, and to report to the Joint Legislative Education Oversight Committee before March 1, 2012, with any recommended legislation. This bill becomes effective on July 1, 2011.

**BACKGROUND:**

Gateway to College programs, which are part of the Gateway to College National Network, serve individuals from 16 to 21 years old who have dropped out of school or are significantly behind in credits and unlikely to graduate. The dual credit program allows students to earn a high school diploma while progressing toward a college degree or certificate.

North Carolina currently has two Gateway to College programs, located at COA and DTCC.

Currently, high school students (including those in Gateway to College programs) receive a tuition waiver under 115D-5(b). However, per S.L. 2010-31, Section 7.24(h), beginning with the FY 2010-11 school year, courses provided in general education (except for mathematics, science, and technology), physical education, and college success skills courses offered to high school students no longer generate State funding through budget FTE. Therefore, if colleges offer these courses to high school students, they must either pay for the cost with local and institutional funds or charge students the full cost of the course. Section 7.24(h) does provide an exemption for courses provided to students of Early and Middle College High Schools, however Gateway to College programs are not exempted.

**ASSUMPTIONS AND METHODOLOGY:**

**NC Community College System**

S296 would add the Gateway to College Programs at COA and DTCC to this exemption. Without this change, the colleges currently earn budget FTE for science, mathematics, and technology (or STEM) courses and for all developmental courses.<sup>1</sup> Therefore, the fiscal impact to the NC Community College System is based on the FTE served in the non-STEM, non-developmental courses. The chart below estimates these costs, based on FY 2010-11 data for the COA and projections from DTCC. The total estimated fiscal impact to the NC Community College System in FY 2011-12 is \$103,200. It is important to note that this analysis assumes the cost per FTE remains level during the period analyzed.

**Cost of FTE Not Currently Counted as Budget FTE**

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
<b>College of the Albemarle</b>					
Total FTE	40.00	40.80	41.62	42.45	43.30
Non-Budget FTE (29% of total)	11.48	11.71	11.94	12.18	12.42
Cost (at \$4,993.75/FTE)	\$ 57,320	\$ 58,466	\$ 59,635	\$ 60,828	\$ 62,045
<b>Durham Technical Community College</b>					
Total FTE	36.75	83.63	104.36	106.44	108.57
Non-Budget FTE (25% of total)	9.19	20.91	26.09	26.61	27.14
Cost (at \$4,993.75/FTE)	\$ 45,880	\$ 104,401	\$ 130,281	\$ 132,886	\$ 135,544
<b>Total Cost</b>	<b>\$ 103,200</b>	<b>\$ 162,867</b>	<b>\$ 189,916</b>	<b>\$ 193,714</b>	<b>\$ 197,589</b>

<sup>1</sup> G.S. 115D-5(t) directs the State Board of Community Colleges to include developmental education courses taken by students enrolled in Gateway to College programs in computing the budget FTE for the colleges.

**Public Schools**

The changes proposed by this bill will increase the number of public school students enrolled in local education agencies (LEAs) served by the Gateway to College programs at COA and DTCC. In the absence of this bill, the COA Gateway program is expected to be phased-out by FY 2012-13, while the DTCC Gateway program is expected to continue operating at the current enrollment level. If this bill becomes law, both LEAs plan on expanding their programs, leading to increasing State expenditures commensurate with enrollment. The additional enrollment will also create cost pressures at the local level.

**Public Schools – State Fiscal Impact**

The table below compares the average daily membership (ADM) expected under current law against the ADM predicted if this bill were to become law (whereby Gateway to College programs are expanded). Under current law, the COA Gateway program is expected to be phased-out by FY 2012-13, while the DTCC Gateway program is expected to continue operating at the current enrollment level. The difference between the scenarios is the additional ADM expected as a result of this bill.

**Additional ADM as a Result of S296**

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
<b>LEAs Served by the COA Gateway Program</b>					
Current Law	19	0	0	0	0
S296	40	41	42	43	44
<b>Additional ADM</b>	<b>21</b>	<b>41</b>	<b>42</b>	<b>43</b>	<b>44</b>
<b>LEAs Served by the DTCC Gateway Program</b>					
Current Law	50	50	50	50	50
S296	112	140	140	140	140
<b>Additional ADM</b>	<b>62</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>

The State fiscal impact is determined by simply multiplying the additional ADM in each LEA by the average State appropriation per student in the LEAs served by each Gateway to College program. For LEAs served by the COA Gateway to College program, the average State appropriation per ADM is \$5,347. For LEAs served by the DTCC Gateway to College program, the average State appropriation per ADM is \$4,273. As the budget for public schools is unlikely to increase above current fiscal year levels over the next five years, this analysis assumes that the State appropriation per ADM remains constant for each LEA over the time period covered by this analysis. The table below summarizes the State fiscal impact.

**State Fiscal Impact**

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
<b>LEAs Served by the COA Gateway Program</b>					
Additional ADM	21	41	42	43	44
\$ per ADM	\$ 5,347	\$ 5,347	\$ 5,347	\$ 5,347	\$ 5,347
Fiscal Impact	\$ 112,287	\$ 219,227	\$ 224,574	\$ 229,921	\$ 235,268
<b>LEAs Served by the DTCC Gateway Program</b>					
Additional ADM	62	90	90	90	90
\$ per ADM	\$ 4,273	\$ 4,273	\$ 4,273	\$ 4,273	\$ 4,273
Fiscal Impact	\$ 264,926	\$ 384,570	\$ 384,570	\$ 384,570	\$ 384,570
<b>Total Impact</b>	<b>\$ 377,213</b>	<b>\$ 603,797</b>	<b>\$ 609,144</b>	<b>\$ 614,491</b>	<b>\$ 619,838</b>

**Public Schools – Local Fiscal Impact**

While S296 does not *require* any additional local funding, there would be additional cost pressures on the counties to provide additional funding as a result of the increased enrollments. For example, Durham Public Schools provides local funding of \$600 per student to the DTCC Gateway to College program. The LEAs served by the COA Gateway to College program do not currently provide any local funding to the COA Gateway to College program. This analysis assumes that local payments will remain unchanged going forward.

**Local Fiscal Impact**

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
<b>LEAs Served by the COA Gateway Program</b>					
Additional ADM	21	41	42	43	44
Local \$ per ADM	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Impact	\$ -	\$ -	\$ -	\$ -	\$ -
<b>LEAs Served by the DTCC Gateway Program</b>					
Additional ADM	62	90	90	90	90
Local \$ per ADM	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Fiscal Impact	\$ 37,200	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000
<b>Total LEA Impact</b>	<b>\$ 37,200</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>

**SOURCES OF DATA:**

North Carolina Community College System, Durham Technical Community College, Gateway to College National Network (<http://www.gatewaytocollege.org/>), Department of Public Instruction

**TECHNICAL CONSIDERATIONS:**

It is unclear whether the non-STEM developmental FTE for high school students in Gateway to College programs are included under the restrictions in Section 7.24(h). S.L. 2010-31, Section 7.24(h), which directs that non-STEM FTE for high school students in general education, physical education, or college success skills courses not be considered for formula funding; however, G.S. 115D-5(t) which directs that all Gateway to College developmental FTE be included in formula funding.

Currently, the NC Community College System does include all developmental FTE in the funding formula, and the fiscal impact is estimated as such. If this was not the intention Section 7.24(h), the fiscal impact of this bill would increase. Assuming that 50% of the FTE served are in developmental courses, and that of those FTE approximately 50% are in non-STEM courses, the fiscal impact of this bill would double.

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**DATE:** May 5, 2011



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