

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Fiscal Note



BILL NUMBER: Senate Bill 485 (First Edition)

SHORT TITLE: Community College Developmental Courses.

SPONSOR(S): Senator Clodfelter

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
EXPENDITURES					
General Fund	\$-	\$9,926,092	\$10,762,628	\$11,686,858	\$12,245,712
REVENUES					
General Fund (Tuition)	\$-	(\$2,273,618)	(\$2,465,230)	(\$2,676,930)	(\$2,804,938)
NET IMPACT					
General Fund	\$-	\$7,652,474	\$8,297,398	\$9,009,929	\$9,440,774
POSITIONS (cumulative):			none		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Community College System					
EFFECTIVE DATE: July 1, 2009					

BILL SUMMARY:

Senate Bill 485 amends G.S. 115D-5 to include a new subsection permitting the community colleges to teach developmental courses and college success skills courses at any time during the year, including the summer term. It further directs that membership hours produced from these courses be counted when computing full-time equivalent students (FTE) for State-level budget funding formulas.

ASSUMPTIONS AND METHODOLOGY:

Currently, only developmental courses taught in the fall or spring semesters are included when computing budget FTE for the colleges. Developmental education is a program providing specialized credit courses for students who need to improve their basic skill in order to perform at

the level required for admission to degree and diploma programs. Courses are usually in mathematics, reading, English, and college readiness. Developmental courses taught in the summer are only offered on a self-supporting basis (or are funded with reserves from the colleges), and are not included in the budget FTE counts. SB 485 directs that developmental courses taught during the summer term be included as well.

The fiscal impact of this bill would come from 2 sources:

1. The cost of State funding for the existing FTE that currently take summer term courses, but are not funded, and
2. New summer students who would not otherwise have taken summer term courses.

Over the past 3 years, there have been an average of 2,000 FTE enrolled in summer term courses. Based on previous experience and conversations with the community college presidents, the Community College System Office expects that if this bill were enacted, that number would increase by 10% in each of the first two years after enactment, and by the normal 3% growth each year thereafter.

It is important to identify the make-up of this growth. It is assumed that there are three populations responsible for the growth:

1. **Regular growth in FTEs.** On average, community college enrollment increases by about 3% each year. Therefore, regular FTE growth would increase FTEs by 3% in any given year.
2. **FTE who would shift from the fall term to the summer term.** Of the FTE that enroll in the fall term for developmental courses, a certain percentage of them would likely enroll in summer term courses instead if given the opportunity. While these FTE contribute to the growth overall, they do not contribute to the fiscal impact of this bill because they would have been funded in the fall term if not for this change. Therefore, the costs associated with this population of FTE will need to be backed out of the analysis.

In the two years after enactment, it is expected that this group of "shiffters" will make up half of the remaining expected growth. In subsequent years, the 3% average growth factor would be applied to the cumulative total of "shiffters".

3. **FTE who would not previously have enrolled in college.** The final group is those students who would not have enrolled in community college without the opportunity to complete developmental courses in the summer term. These FTE would contribute to the fiscal impact of the bill, as the State would not be paying for their enrollment but for this bill.

In the two years after enactment, it is expected that this group of "new students" will make up half of the remaining expected growth. In subsequent years, the 3% average growth factor would be applied to the cumulative total of "new students".

Because community college enrollment growth is funded based on the previous years' enrollment, the fiscal impact of this change would not begin until FY 2010-11 (the first time that the FTE from FY 2009-10 would be counted). These changes would be effective in time to count the FTE in the summer term in 2009 for the FY 2010-11 enrollment growth calculations, but likely not effective

early enough for colleges to increase their summer term offerings. Therefore, it is assumed that in FY 2010-11 there would be no growth in FTE, and the first year of growth would begin in FY 2011-12.

Finally, the cost per additional FTE for FY 2008-09 is \$4,873. Cost per additional FTE is based on the systemwide allotment for instruction and related per student costs divided by the total number of budgeted FTE. It increases (and potentially decreases) based on the actions of the General Assembly – for example when the General Assembly appropriates funds for salary increases for community college faculty, the cost per additional FTE would also increase. Therefore, although some adjustment must be made for the cost per additional FTE increasing over time, it is impossible to predict exactly how that cost will increase. For the purposes of this analysis, the general consumer price index inflation factor will be used. The analysis will also show what the fiscal impact would be if the cost per additional FTE did not increase at all over the time period (in other words, if the General Assembly took no action that would increase the amount per FTE over the time period).

The table below summarizes these assumptions and calculations. As shown in the table, the estimated total impact to the general fund ranges from \$7.65 million in FY 2010-11 to \$9.44 m in FY 2013-14 if the additional cost per FTE is inflated by the consumer price index annually.

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Previous Year's Estimated FTE		2,000	2,000	2,200	2,420
Expected Growth %		0%	10%	10%	3%
Expected Growth FTE		-	200	220	72.60
<i>Regular Growth</i>		-	60	61.80	63.65
<i>Students Shifting from Fall Term</i>		-	70	79.10	4.47
<i>Newly Captured Students</i>		-	70	79.10	4.47
Total Estimated Summer FTE	2,000	2,000	2,200	2,420	2,493
Less Cumulative "Shifted" Fall FTE		-	(70)	(149)	(154)
FTE with Fiscal Impact		2,000	2,130	2,271	2,339
Cost per Additional FTE					
Total Cost From Previous Year	\$4,873	\$4,963	\$5,053	\$5,146	\$5,235
Inflation Adjusted Total Cost	1.85%	1.81%	1.85%	1.73%	1.76%
Estimated Adjusted Total Cost	\$4,963	\$5,053	\$5,146	\$5,235	\$5,328
Fiscal Impact with Inflation Adjusted Cost per Additional FTE					
Expenditures	\$-	\$9,926,092	\$10,762,628	\$11,686,858	\$12,245,712
Receipts (Tuition)	\$-	\$2,273,618	\$2,465,230	\$2,676,930	\$2,804,938
Net Fiscal Impact to General Fund	\$-	\$7,652,474	\$8,297,398	\$9,009,929	\$9,440,774
Fiscal Impact with No Adjustment to Cost per Additional FTE					
Expenditures	\$-	\$9,745,795	\$10,379,271	\$11,065,863	\$11,397,839
Receipts (Tuition)	\$-	\$2,232,320	\$2,377,421	\$2,534,688	\$2,610,728
Net Fiscal Impact to General Fund	\$-	\$7,513,475	\$8,001,851	\$8,531,175	\$8,787,110

SOURCES OF DATA:

"A Matter of Facts: North Carolina Community College System Fact Book", 2008, NC Community College System; NC Community College System Office; and Moody's economy.com (Oct. 2008) (for inflation factors).

TECHNICAL CONSIDERATIONS: None

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