

# STATE and LOCAL FISCAL IMPACT

Drafting Number: LLS 14-0334

Prime Sponsor(s): Rep. Wilson

Date: January 23, 2014

Bill Status: House Education

Fiscal Analyst: Josh Abram (303-866-3561)

SHORT TITLE: ADVANCED PLACEMENT INCENTIVES PILOT PROGRAM

| Fiscal Impact Summary*   | FY 2014-2015              | FY 2015-2016              |
|--|---------------------------|---------------------------|
| State Revenue  |                           |                           |
| State Expenditures   | <b><u>\$2,010,974</u></b> | <b><u>\$2,851,922</u></b> |
| State Education Fund   | 2,006,101                 | 2,846,749                 |
| Centrally Appropriated Costs**   | 4,873                     | 5,173                     |
| FTE Position Change  | 0.5 FTE                   | 0.5 FTE                   |
| <b>Appropriation Required:</b> \$2,006,101 and 0.5 FTE - Colorado Department of Education (FY 2014-15) |                           |                           |

\* This summary shows changes from current law under the bill for each fiscal year.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

## Summary of Legislation

This bill creates the Advanced Placement Incentives Pilot Program in the Colorado Department of Education (CDE) to provide supplemental funding to small and rural schools that offer advanced placement (AP) courses, especially among low income student populations. No later than December 1, 2014, the CDE must prepare guidelines for the program. The program is repealed July 1, 2018.

Only districts identified as small or rural by the CDE may participate, and total participation is capped at 10,000 students. To participate, a small or rural district must:

- require that all grade ten students take a pre-collegiate entrance exam to help identify students with potential to pass an AP exam;
- have an existing AP program offering at least one advanced course in the area of social studies, math, science, or English; and
- designate an on-site mentor to support students enrolled in online AP courses, if offered.

Participating schools receive \$500 for each student who completes an AP course, and \$500 for each student that takes the national AP exam, regardless of the outcome on the exam. Schools must use the supplemental funding to:

- implement a school-wide AP program;
- provide professional development for administrators concerning the content required in non-AP classes to help students prepare for future success in an AP class;

- pay the AP exam fee for students participating in the federal school lunch program, provided the fee is not paid with other federal grant money; and
- provide teachers and mentors of AP classes with bonus payments of \$50 for each of their AP students who complete an AP course and take the corresponding AP exam; however, total bonuses per teacher may not exceed \$2,000 in any year.

## **Background**

Advanced placement courses offer college-level experience to high school students, usually in grades 10 -12. Most institutions of higher education consider completed AP credits and national AP exam scores when making admission decisions or awarding college credit. Based on information from College Board, approximately 22 percent of AP students obtain a "3" or higher on the national AP exam. Typically, a score of "3" or higher is considered by institutions of higher education as indicative of a student's advanced academic ability.

As of 2012, 39 percent of graduating high school students statewide took an AP exam. Participation is lower among at-risk students and students in rural districts. For 2012 graduates, 16 percent of at-risk students took an AP exam. The CDE estimates that in rural schools, current participation in AP courses ranges from two to seven percent of eligible student enrollment.

## **State Expenditures**

***An incentive award program meeting the requirements of the bill is expected to increase state expenditures by about \$2.0 million and 0.5 FTE in FY 2014-15, and by about \$2.8 million and 0.5 FTE in FY 2015-16.*** New expenditures are for program administration and AP incentive awards to schools and school districts. These costs are described below and displayed in Table 1.

| <b>Table 1. Estimated Expenditures Under HB 14-1118</b> |                    |                    |
|---|--------------------|--------------------|
| <b>Cost Components</b>                                  | <b>FY 2014-15</b>  | <b>FY 2015-16</b>  |
| Personal Services                                       | \$37,274           | \$37,274           |
| Operating   | 2,827              | 475                |
| FTE   | 0.5                | .05                |
| AP Incentive Awards                                     | 1,966,000          | 2,809,000          |
| Centrally Appropriated Costs*                           | 4,873              | 5,173              |
| <b>TOTAL</b>  | <b>\$2,010,974</b> | <b>\$2,851,922</b> |

\* Centrally appropriated costs are not included in the bill's appropriation.

**Program administration.** The bill creates a new incentive award program at the CDE. The department will have increased expenses to establish program rules, create application procedures, develop criteria for evaluating eligibility, allocate incentive awards to districts, track payments, and ensure accountability. Additionally, the department will expend resources in human resources, accounting, budgeting, and management in support of the new program.

**AP incentive awards.** AP incentive awards will comprise the largest cost component of the bill. It is assumed that small and rural districts described in the bill serve approximately 33,792 high school students; however, this amount may change based on the final definition of a small or rural district adopted by the CDE. Assuming 7 percent of these students enroll in at least one AP course, and 95 percent of those students complete the course, total awards to districts is \$1,123,500 (2,247 students X \$500 = \$1,123,500).

Of the 2,247 students anticipated to complete an AP course, approximately 75 percent will also go on to take the national AP examination for that course. The bill provides an additional \$500 for each of these students. Therefore, the total cost for this component is \$842,500 (1,685 students X \$500 = \$842,500).

Total expenses will increase if the program expands participation among current students, or encourages districts to expand AP programs. For example, this fiscal note assumes participation will grow from seven percent of existing students in FY 2014-15 to ten percent of existing students in FY 2015-16. Therefore, total awards in FY 2015-16 will be \$2,809,000. This analysis assumes that some students take more than one AP course or exam, and schools receive awards each time a student meets the award criteria.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

| Table 2. Centrally Appropriated Costs Under HB 14-1118*              |                |                |
|--|----------------|----------------|
| Cost Components  | FY 2014-15     | FY 2015-16     |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$2,284        | \$2,284        |
| Supplemental Employee Retirement Payments                            | \$2,589        | \$2,889        |
| <b>TOTAL</b>   | <b>\$4,873</b> | <b>\$5,173</b> |

\*More information is available at: <http://colorado.gov/fiscalnotes>

## School District Impact

**District revenue and expenditures.** Rural school districts will receive supplemental funding from the program to improve and enhance AP programs, to offset costs to administer a pre-collegiate entrance exam, and to increase AP program availability.

There are approximately 10,200 grade 10 students in small or rural districts eligible to participate. If all districts administer either the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT), or the ACT PLAN assessment, the cost is at least \$14 per test administration (10,200 X \$14 = \$142,800), plus administrative costs for test proctors and substitute teachers during the test.

Adding AP programs increases costs for school districts. For example, to add an online AP course, districts must purchase the course from an online vendor, provide professional development for existing staff, pay salary and benefits for academic counseling and on-site mentors, among other costs. This expense is estimated to be, at minimum, \$1,200 per student (assuming \$300 per online course and \$900 in onsite staff and administrative costs per student).

Under current law, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

For FY 2014-15, this bill requires a State Education Fund appropriation of \$2,006,101 and 0.5 FTE to the Colorado Department of Education.

**Departments Contacted**

|           |                  |
|-----------|------------------|
| Education | School Districts |
|-----------|------------------|