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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/24/07

SPONSOR Larranaga LAST UPDATED \_\_\_\_\_ HB 681

SHORT TITLE Payment of Remedial Courses at Colleges SB \_\_\_\_\_

ANALYST McOlash

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Attorney General's Office (AGO)

Department of Finance & Administration – Office of Education Accountability (OEA)

Public Education Department (PED)

Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Bill 681 amends the Public School Code to require school districts to pay the costs of post-secondary remedial or developmental courses for graduates who do not meet academic admissions standards at public two-year post-secondary institutions.

### FISCAL IMPLICATIONS

NFI

### SIGNIFICANT ISSUES

A 2006 study *Ready for College?* - a joint effort by the Department of Finance/Office of Education Accountability, NMHED and PED - found that almost half (49%) of New Mexico public high school graduates took college developmental courses in numeracy and/or literacy. The data

included 43,784 unduplicated students enrolled in a New Mexico college or university in Fall Semester for years 2000, 2001, 2002, 2003, 2004. Of the total, 35,654 were students who graduated from New Mexico's public high schools. New Mexico's public high schools varied in the percentages of their graduates who took numeracy and/or literacy courses in college; from a low of 16% to a high of 83%.

The percentage of public high school graduates who took college developmental courses in numeracy and/or literacy varied by the ethnicity of the student:

- American Indian or Alaskan Native – 66%
- Asian or Pacific Islander – 38%
- Black, non-Hispanic – 55%
- Hispanic – 58%
- White, non-Hispanic - 36%

Based on the number of New Mexico graduates (35,654), approximately 17,500 students enrolled in remediation courses in Fall Semesters with an annual average of 3,494 per year for five years. Although the study did not provide data on individual institutions, total remedial courses at two-year institutions equaled 9,123 (95.1%) of the 9,597 courses offered at all institutions at any one time.

#### Cost Estimates

Total cost estimates are difficult with the limitations in data. The calculations presented below include the various steps to illustrate the rationale. However, they imply a precision that does not exist.

At the two-year institution remediation course rate (95.1%), an estimated annual average of 3,323 students would be enrolled in remedial courses at these institutions. According to the OEA analysis

. . . the Higher Education Department (HED) indicates that the average cost of a remedial course about \$45 a credit hour and remedial courses are usually 3 credit hours. These estimates also include a \$40 registration fee for each semester.

Presumably, a three credit hour remedial course will cost \$175 (3 credit hours X \$45 plus \$40). It follows that the cost for 3,323 students enrolled in a Fall Semester \$581,525 and, if these same students enroll again in the Spring Semester, the annual cost would equal approximately \$1.2 million.

The *Ready for College?* report does not include sufficient information to estimate costs at any of 19 two-year institutions or for any of the 89 school districts. However, in the five years (2000 through 2004) the Vaughn district had 13 students that were included in the dataset. Four (30.8%) of those students reportedly took remedial literacy and/or numeracy Classes in 2000 – 2004. At a rate of less than one student per semester, the annual cost to the Vaughn district should not exceed \$350. For Albuquerque, the 930 remedial course takers in each of five semesters would cost \$162,750 or \$325,500 per year.

## ADMINISTRATIVE IMPLICATIONS

House Bill 681 does not identify an administrative entity to calculate, collect, and transfer fees from public schools to post-secondary institutions.

## OTHER SUBSTANTIVE ISSUES

### OEA Analysis

First, institutions of higher education must carefully define which classes are categorized as remedial or developmental. Some courses are clearly remedial in nature, for example those that teach basic math or basic reading. Other courses are labeled developmental but are appropriate for most college students, for example those that deal with career exploration. This finding is important for HB-681, because PED and HED would need a clearer definition of which courses are truly remedial and thus eligible for reimbursement.

Second, the “Ready For College” study found that different higher education institutions use different placement tests or different scores on the same placement test to determine if students need to be placed in remedial courses. This finding is important for HB-681 because PED and HED would need to ensure that methods for determining which students were placed in remedial courses were valid and consistent from institution to institution.

BM/mt