

BILL # HB 2816

TITLE: universities; credit threshold

SPONSOR: Burns

STATUS: As Amended by Appropriations (P)

PREPARED BY: Shelli Carol

FISCAL ANALYSIS

Description

This bill would exempt certain credit hours earned by state public university students from counting towards the credit hour threshold. As required by Laws 2005, Chapter 330, the state will only provide General Fund support in FY 2007 to state university students who have earned 155 or fewer credit hours. As amended by the Appropriations (P) Committee, this bill would exempt credits earned in pursuit of a second bachelor's degree, credits earned in pursuit of a teaching certificate, credits transferred from a private or out-of-state higher education institution, credits earned by students more than 24 months after the end of their previous enrollment at a state higher education institution, and credits earned at a previous institution but not accepted for transfer by the current institution. As further amended during Committee of the Whole, this bill includes an additional exemption for credits earned in pursuit of up to 2 state regulated licensures or certificates.

This bill would also specify that the Legislature make any budget adjustments for the credit hour threshold in the upcoming fiscal year using fall enrollment counts from the current fiscal year.

Estimated Impact

This bill has an estimated General Fund cost of \$6.4 million in FY 2007, compared to the JLBC baseline budget. The estimated General Fund cost compared to the Appropriations Committees' adopted budget is \$1.4 million in FY 2007. These figures are based on student data provided by the state public universities.

Furthermore, these estimates do not take into account the additional exemption, included in the floor amendment, of credits earned for licensures or certificates. The universities have not yet provided information on that number of affected students.

Analysis

A.R.S. § 15-1626 and A.R.S. § 15-1661, as amended by Laws 2005, Chapter 330, establish the credit hour threshold at 155 hours in FY 2007, 150 hours in FY 2008, and 145 hours after FY 2008. Statute permits the Arizona Board of Regents to raise tuition rates for students above the threshold and directs the Legislature not to provide General Fund support for those students.

The FY 2007 JLBC baseline budget excludes state General Fund support for students above the credit hour threshold. As statute currently requires, the baseline budget exempts only graduate credits and credits earned in programs requiring additional credits. The state universities reported nearly 1,500 full-time equivalent (FTE) students above the threshold, yielding a General Fund savings of \$(8) million in the JLBC baseline budget. Of this amount, the Appropriations Committees chose to add approximately \$5 million from the General Fund back into university budgets, yielding a net credit hour threshold savings of \$(3) million.

The universities state that approximately 285 FTE students exceed the credit hour threshold after accounting for the new exemptions in this bill. Therefore, the bill would require adding another \$1.4 million back into university budgets above the Appropriations Committees' adopted motion, for a cost of \$6.4 million above the JLBC baseline. Compared to FY 2006, before the threshold came into effect, the bill would result in a \$(1.5) million savings to the General Fund. The table below displays this comparison by institution.

HB 2816 as Amended by House Appropriations (P)
FY 2007 Comparison of General Fund Reductions to Previous Budget Recommendations

<u>Institution</u>	<u>Costs above JLBC Baseline</u>	<u>Costs above Appropriations Adoptions</u>	<u>Gross Reductions below FY 2006</u>
ASU	\$3,320,700	\$ 722,400	\$ (758,100)
NAU	647,300	202,300	(96,500)
UA	<u>2,469,700</u>	<u>472,500</u>	<u>(673,100)</u>
Total	\$6,437,700	\$1,397,200	\$(1,527,700)

Under existing statute, the 150 credit hour threshold in FY 2008 will generate an estimated savings of \$(10.6) million below FY 2006. Comparatively, HB 2816 would cost \$8.2 million in FY 2008, netting a General Fund savings of \$(2.4) million below FY 2006. Also under existing statute, the 145 credit hour threshold in FY 2009 will generate an estimated savings of \$(13.1) million below FY 2006. Meanwhile, HB 2816 would cost \$9.3 million in FY 2009, netting a General Fund savings of \$(3.8) million below FY 2006.

The FY 2008 and FY 2009 estimates are based on fall 2005 enrollment counts. The state universities report that around 450 FTE students from the fall 2005 enrollment count exceed 150 credit hours and 700 FTE students exceed 145 credit hours, after exemptions. However, the expected effect of the funding limitations associated with the credit hour threshold is to reduce the number of students that exceed the threshold in future years. Consequently, the estimates above are likely somewhat overstated.

Local Government Impact

None.