

(Return in triplicate)

FISCAL NOTE

Bill/Resolution No.: HB 1410 Amendment to: _____

Requested by: Legislative Council Date of Receipt: _____

Please estimate the fiscal impact of the above measure for:

State general or special funds Counties Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

The general funds indicated for 1989-91 assume that we spend the first biennium developing and validating the tests, preparing remedial and advising programs, and preparing reporting systems. It assumes a \$1,000,000 contract with a national testing firm to develop three tests. It includes 2.0 professional FTE staff and 2.0 clerical FTE staff system-wide. The estimated general-fund cost in future biennia, when the testing, remedial, advising, and reporting programs are in place is \$3,722,000, 91 percent of which is for remedial programs and assumes that students pay no tuition or fees for remedial programs. This estimate is \$50 per student lower than that estimated for Texas, after whose law this bill is modeled. If students pay tuition for remedial courses, the future general-fund impact could be cut by an estimated \$2,100,000, to a total of \$1,622,000.

If amended, the fiscal impact could be very different. Please request a new fiscal note for amendments.

State Fiscal Effect:

<u>1989-90</u>		<u>1990-91</u>		<u>Biennium Total</u>	
<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>
\$795,000		\$795,000		\$1,590,000	

County and City Fiscal Effect:

<u>1989-90</u>		<u>1990-91</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed Ellen E. Chaffee

Typed Name Ellen E. Chaffee

Date Prepared: 1/30/89

Department State Board of Higher Education

Assumptions for Fiscal Note on HB1410

1. Number of entering freshmen: 12,000 headcount (cf. fall '88)
2. Number of transfers: estimate 1,500-2,000 total (SBHE transfer study), estimate 500 not previously tested
3. Estimate 8 percent of students cannot pay for test (cf. Texas estimate)
4. The cost of the test is \$16 (average of sample tests from ACT, ETS, and Texas)
5. Contract with professional testing company to develop a test for North Dakota (since the language specifies that the test must be "of a diagnostic nature" and must relate to "the skill level necessary for a student to perform effectively in an undergraduate degree program," and since it refers to the board "developing" the test rather than "adopting" an existing test, Section 2 of HB1410)
6. Our testing population is too small to permit us to require the testing company to recuperate its development costs through test charges to students, as was done in Texas (the test fee per student would have to be \$346 in North Dakota to generate the same revenue the testing company will receive each year in Texas with a \$24 fee)
7. Substantial research is required to ensure that the test relates to successful college performance
8. The cost of developing the test through a national company is \$1 million. This estimate could vary widely. It is based on the following information. (A) According to an ACT representative, the cost of developing a test is the same, no matter how many students are tested. The Texas examination contract calls for the testing company to recover all development costs through student test fees. Assuming the first-year fees to the company cover the costs of development, the cost would be \$4,320,000. (B) An executive of ACT estimates that the cost of developing 3 exams would be "up to \$1 million," depending on the nature of the test specifications and services required. (C) A three-year contract between the state of New Jersey and ACT is \$10.45 per student; a comparable contract for a biennium in North Dakota would be \$261,161. However, the New Jersey/ACT contract began in 1977, so the contract is for test maintenance, not development
9. Staff expertise will be necessary to manage the process of developing, validating, and maintaining the test
10. Substantial research is required to establish, both statewide and at each institution, the cut-off score that is actually related to successful performance
11. The cost of the research required to relate the test to successful performance and to establish cut-off scores is \$100,000, the estimate given by Inez Bosworth, staff officer of the Educational Testing Service
12. One-third of students tested need remedial instruction in each area ("College Level Remediation," FRSS Report No. 19, Office of Educational Research and Improvement, U.S. Department of Education, Center for Statistics, 1984)

13. The average remedial experience is equivalent to one two-credit semester course for each area (reading, writing, mathematics). Assumptions 12 and 13 yield an estimated 800 student FTEs generated annually in remedial instruction, including 788 FTE first-time remediators and 12 FTE who need to re-take remedial education
14. Since the courses are non-credit, they generate no tuition revenue
15. The cost of instruction is equal to the salaries for the 31.5 faculty FTEs that are generated by formula for 800 student FTEs, plus 20 percent of faculty salaries for equipment, supplies, and other support
16. The students needing remediation are divided among the campuses as follows--50 percent at UND and NDSU, 24 percent at the other universities, and 26 percent at the two-year colleges
17. The institutions incur \$0 additional cost in readministering the test to those who failed
18. The institutions incur \$0 additional cost in developing special rules or programs for special students
19. The legislative intent is to improve existing advising systems (i.e., current systems are inadequate)
20. We need staff expertise to provide in-service to faculty to improve advising
21. Institutions and the state will need new programming on the Higher Education Computing Network to facilitate reporting to the Board and the high schools
22. Institutions and the state will need research expertise to conduct the studies indicated Section 8 of HB1410.
23. The state will need coordination to ensure comparability of reports across institutions
24. It will take two years to develop the test and associated programs, with full implementation in 1991-93.

1989-91 BUDGET:

Contract with national testing company	\$1,000,000
Research to validate and set cut-off scores	100,000
Coordination of data systems, implementation	100,000
rules, testing, remediation, and advising	100,000
Travel (statewide meetings)	
Travel (visit other testing/remedial states)	
Honoraria (expertise from other states)	
Part-time faculty substitutes for committee members	
Supplies	
Staffing (coordinate, develop, report, provide faculty in-service)	290,000
1.0 FTE professional at state level (to serve state and 9 campuses)	
0.5 FTE professional at UND	
0.5 FTE professional at NDSU	
2.0 FTE clerical, systemwide	
20% for travel, supplies, equipment	
Revenues	<u>0</u>
FIRST BIENNIUM COST:	\$1,590,000

1991-1993 BUDGET (and thereafter):

Subsidize 8% of tests for needy students	32,000
Continue staffing levels above	290,000
Remedial instruction	3,400,000
Revenues	<u>0</u>
FUTURE BIENNIUM COST:	\$3,722,000