

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5133-03
Bill No.: HCS for HB 2191
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
 Department; Education, Higher, Higher Education Department
Type: Original
Date: May 2, 2008

Bill Summary: Modifies provisions relating to higher education scholarships

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Could exceed \$106,406)	(Could exceed \$109,651)	(Could exceed \$1,036,910)
Total Estimated Net Effect on General Revenue Fund	(Could exceed \$106,406)	(Could exceed \$109,651)	(Could exceed \$1,036,910)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Workers' Compensation Fund	(\$50,000)	(\$50,000)	(\$50,000)
Kids' Chance Scholarship Fund	\$50,000	\$50,000	\$50,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact to the SOS office for Administrative Rules for this proposal is less than \$2,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

§160.545

Officials at the **Department of Higher Education (DHE)** assume this legislation expands the A+ program, which will not impact the DHE.

DHE's response is based on the assumption that the only existing institution that is not currently eligible for A+ reimbursements that would become eligible if this bill passed is Ranken Technical College. Ranken annually enrolls approximately 200 first-time students from Missouri. The legislation specifies that the tuition reimbursement shall not exceed the tuition charged by the community college in the technical school's service area. St. Louis Community College is the community college in Ranken's service area. The fall 2007 tuition and fee rate for St. Louis Community College is \$2,340 in-district and \$3,540 out-of-district.

The summary of fiscal impact is based on the following additional assumptions:

Each year, half of Ranken's new students will qualify for A+ reimbursements. Half of Ranken's entering class is 100 students. Each year, of the 100 new A+ eligible students at Ranken, half would qualify for reimbursement at the in-district tuition rate. Half would qualify for reimbursement at the out-of-district tuition rate. In the second year, the first cohort will receive the scholarship again and a second cohort of 100 students will join them.

Tuition at St. Louis Community College will increase at approximately the rate of inflation and inflation will be the same next year as it was this year -- about 4%.

In the third year, there will still only be a total of 200 students eligible for the scholarship (because only students in 2-year institutions are eligible to receive the scholarship). However,

ASSUMPTION (continued)

current A+ rules, promulgated by DESE, provide that financial incentives will be available to qualified students for a period of four years after high school graduation. Therefore, it may be possible for those students attending private vocational and technical schools that offer baccalaureate degrees to receive A+ funding to receive baccalaureate degrees.

DHE also assumes other private institutions may also become A+ eligible. If other private institutions become A+ eligible, the fiscal impact will be greater than indicated here.

DHE's estimate of A+ scholarship cost is as follows: FY 2009 (\$305,760); FY 2010 (\$635,980); FY 2011 (\$651,296).

Oversight assumes, based on statistics shown in the DESE 2009 budget request, that 35% of A+ eligible students are enrolled as first time - full time students at community colleges. No data was included for those attending Career-Technical Schools, but the "status unknown" of A+ eligible students is 32%. **Oversight** will assume, for fiscal note purposes only, that the 35% would apply to Ranken students. Considering that other schools may also qualify to receive reimbursements, **Oversight** will show the fiscal impact to be as follows: FY2009 (Could exceed \$106,406); FY 2010 (Could exceed \$109,651); FY 2011 (Could exceed than \$115,070).

Officials at the **Department of Elementary and Secondary Education (DESE)** state that as of July 1, 2007, there were 231 high schools designated A+ out of 565 high schools. It is unknown how many A+ students currently attend the institutions described in this proposal or how many may attend if the legislation should pass.

In addition, allowing private institutions to participate in the A+ program would require the entire A+ program to move to an IFB (invitation for bid) process in order to comply with the provisions of Chapter 34 RSMo. The IFB process would require at least 1.0 FTE supervisor.

Officials at the **University of Central Missouri (UCM)** assume each year, approximately 30-50 students that are admitted to the UCM, elect to utilize the A+ program at their local community college. Over a four year period of time, a loss of 30-50 first year students results in a potential revenue decrease of between \$673,000 and \$1,100,000 based on 2007 tuition levels.

Officials from the **St Louis Community College** and the **Kansas City Metropolitan Community College** assume this proposal will have no negative fiscal impact on their respective colleges.

Officials from the **University of Missouri** state the University would incur no additional administrative costs as a result of the passage of this proposal, as currently written.

Officials from **Linn State Technical College** assume no fiscal impact resulting from this proposal.

Oversight assumes that this proposal is expanding the existing A+ program to allow students to attend private vocational and technical schools instead of the current public only schools. For the private school to participate the school must meet certain requirements. Oversight assumes that few private schools will meet the rigorous requirements to be eligible for participation.

Oversight assumes that the Department of Elementary and Secondary Education can absorb the cost of monitoring the additional schools with existing resources.

§160.545.3

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that this proposal currently would allow students from St. Louis City and Wellston to participate in the A+ program provided they meet all other requirements.

The enrollment of 11th grade students for Wellston is 26 and St. Louis City is 1,801. DESE estimates that twenty-five percent of those students would become eligible for A+ reimbursement and of that number only twenty-five percent would take advantage of the program. This assumption would result in a pool of 115 students.

Assuming \$334 as the average cost per credit hour of 25 public community colleges and vocational and technical schools and assuming 12 credit hours in the first year, costs for two semesters would be \$921,840. Costs for the second year would likely double as the number of students would remain the same.

DESE would require an additional FTE accounting specialist.

Oversight notes that, according to information on the DESE web site, Division of School Improvement: A+ Schools, "In most cases, high schools spend three years implementing the program by upgrading curriculum, reducing dropout rates, promoting high student achievement and establishing business advisory councils." **Oversight** will assume, for fiscal note purposes, that the program would not be in place until at least FY 2011 based on the statement from the DESE web site regarding a three year implementation period. If these schools seek A+ designation and additional personal services are needed for additional students in the program, those resources can be sought through the budget process.

ASSUMPTION (continued)

Officials from the **Charleston School District** state this proposal will not affect their school district as they are already part of the A+ program.

Officials from the **St Louis Public School District** state no funds are used from the General Operating Budget, but this proposal would eliminate the burden from their Development Department from attempting to raise money beyond the 2010 program. No direct fiscal impact is indicated.

§173.258 Kids Chance Scholarship Fund

Officials from the **Office of State Treasurer** state this proposal will have no fiscal impact on their agency.

Officials at the **Department of Labor and Industrial Relations** assume the language contained in this section authorizes the payment of \$50,000 a year in perpetuity for the Kids' Chance Scholarship Fund. Since there is no ending date on the transfer of the money, the Department's Division of Workers' Compensation will be paying the \$50,000 forever or until the legislature changes the law to add an ending date.

Officials from the **Department of Higher Education (DHE)** assume this proposal will not change the fiscal impact of the program. DHE distribute only interest earned on the corpus of the Kids' Chace Scholarship Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2009	FY 2010	FY 2011
	(10 Mo.)		
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education - Reimbursements for additional A+ students (§160.545.3)	\$0	\$0	(\$0 or Up to \$921,840)
Cost - Department of Elementary and Secondary Education - Distribution of A+ Scholarships (§160.545)	(Could exceed \$106,406)	(Could exceed \$109,651)	(Could exceed \$115,070)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Could exceed \$106,406)</u>	<u>(Could exceed \$109,651)</u>	<u>(Could exceed \$1,036,910)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
WORKERS' COMPENSATION FUND			
Cost - Transfer to Kids' Chance Scholarship Fund (§173.258)	<u>(\$50,000)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
ESTIMATED NET EFFECT ON WORKERS' COMPENSATION FUND	<u>(\$50,000)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
KIDS' CHANCE SCHOLARSHIP FUND			
Transfer In - Department of Higher Education - Annual transfer from Division of Workers' Compensation (§173.258)	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>
ESTIMATED NET EFFECT ON KIDS' CHANCE SCHOLARSHIP FUND	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL POLITICAL SUBDIVISIONS			
Loss - Community Colleges - Tuition/Fee revenue due to decreased enrollment	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal modifies the laws relating to higher education scholarships.

§160.545

Current law provides that only public community colleges and public vocational or technical schools may receive A+ Schools Program reimbursements. This proposal would allow any two-year public or private vocational or technical school to obtain A+ Schools Program reimbursements that meets the following requirements: the school must be a member of the North Central Association and be accredited by the Higher Learning Commission; be designated as a 501(c)(3) non-profit organization; cannot receive tuition reimbursements in excess of the tuition rate charged by public community colleges for course-work offered by private vocational or technical colleges within the service area of the school; and reimbursements provided must not violate provisions of Article IX, section 8, or Article I, section 7 of the Missouri Constitution, or the First Amendment of the United States Constitution. These new requirements shall not apply to public institutions currently receiving A+ reimbursement.

§160.545.3

This proposed legislation states that a school district may participate in the A+ Schools Program regardless of its accreditation status by the State Board of Education if the district meets all other requirements.

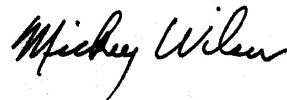
§173.258

This section modifies provisions relating to the Kids' Chance Scholarship Fund. Current law requires the Director of the Division of Workers' Compensation to deposit \$50,000 annually into the Kids' Chance Scholarship Fund from 1999 until 2008. This section eliminates an ending date so that the Director will continue to deposit \$50,000 annually.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Secretary of State
 Administrative Rules Division
Department of Higher Education
Department of Labor and Industrial Relations
Office of State Treasurer
School Districts
 St Louis City
 Charleston
Colleges and Universities
 University of Missouri
 University of Central Missouri
 Kansas City Metropolitan Community College
 Lincoln University
 St Louis Community College



Mickey Wilson, CPA
Director
May 2, 2008