

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0587-03  
Bill No.: CCS for HCS for SB 13  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department; Boards, Commissions, Committees, Councils; Governor and Lt. Governor; General Assembly  
Type: Original  
Date: May 6, 2015

---

Bill Summary: This proposal modifies provisions relating to career and technical education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue*	(Less than \$850,000)	\$2,558,160	\$2,558,160
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Less than \$850,000)</b>	<b>\$2,558,160</b>	<b>\$2,558,160</b>

**\*Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight, for fiscal note purposes, is showing the impact of that provision.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>(\$3,408,160)</b>	<b>(\$3,408,160)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §162.720 and §163.031 Gifted Education

Officials at the **Department of Elementary and Secondary Education (DESE)** assume based on their most recent complete data, school districts that have a gifted program would have a penalty of \$3,408,160 for not maintaining at least 80% of their gifted enrollment for the previous year. This would be a loss to the local districts that had the penalty levied against them. These penalties would be redistributed to all other school districts due to the foundation formula not being fully funded.

In response to similar legislation filed this year, HB 637, officials at the **Kansas City Public Schools** assumed this proposal would have a minimal fiscal impact. It is impossible to determine at this time.

In response to similar legislation filed this year, HB 637, officials at the **Columbia Public Schools** assumed this would not have a fiscal impact as it mirrors their current practice.

In response to similar legislation filed this year, HB 637, officials at the **Malta Bend Schools** and the **Special School District of St. Louis** each assumed there was no fiscal impact to their respective school district from this proposal.

**Oversight** notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal contains a provision that will require DESE to levy penalties against school districts that do not maintain their gifted programs. Since the foundation formula is not fully funded the penalty money may be redistributed to other school districts. Oversight, for the purpose of the fiscal note only, is showing the impact to the State as if the foundation formula were fully funded.

#### §170.029 CTE Certificate

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this would result in additional costs due to data collection; however, they do not anticipate a cost greater than \$100,000. DESE defers to local school districts regarding the extent of any costs.

In response to similar legislation filed this year, SB 172, officials at the **Kansas City Public Schools** assumed they cannot determine the fiscal impact until such time as DESE outlines how they will promulgate rules to implement the proposed legislation.

ASSUMPTION (continued)

In response to similar legislation filed this year, SB 172, officials at the **Everton R-III School District** and the **Riverview Gardens School District** each assumed there was no fiscal impact to their respective school district from this proposal.

In response to similar legislation filed this year, SB 172, officials at the **Joint Committee on Administrative Rules** assumed there was no fiscal impact from this proposal.

**Oversight** notes this proposal requires DESE to establish minimum requirements for a career and technical education high school certificate. Oversight assumes that DESE will be able to establish the career and technical education certificate with existing staff and resources.

**Oversight** requested a list of the school districts that currently have approved career education programs. There are currently 446 that have an approved career education program out of the 448 school districts that have a high school. Oversight notes that the school districts that replied to Oversight's request for impact all currently have an approved career education program.

**Oversight** requested a list of the current vocational areas of study approved by DESE. Those areas are:

- Agriculture, Food and Natural Resources
- Business, Management and Administration
- Family Consumer Science and Human Services
  - Education and Training
  - Hospitality and Tourism
- Finance
- Health Science
- Information Technology
- Marketing
- Science, Technology, Engineering and Mathematics (STEM)
  - Project Lead the Way
- Skilled Technical Sciences
  - Architecture and Construction
  - Arts, AV Technology and Communications
  - Law, Public Safety, Corrections and Security
  - Manufacturing
  - Transportation, Distribution and Logistics

ASSUMPTION (continued)

**Oversight** for purposes of the fiscal note, will assume that the vocational areas of study will be based on the existing areas and therefore establishing curriculum, programs of study and course offerings would not have a fiscal impact.

In response to similar legislation filed this year, SB 172, officials from the **Office of the Secretary of State (SOS)** state 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 for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to the previous version of this proposal, officials at the **Carondelet Leadership Academy, Malta Bend School District** and **Special School District of St. Louis** each assume there is no fiscal impact to their respective organization from this proposal.

§§173.1101, 173.1102, 173.1104, 173.1105, 173.1107 Access Missouri at Virtual Institutions  
Officials at the **Department of Higher Education (DHE)** assume to be eligible for Access Missouri, students need to file their FAFSA by April 1 of each year. While not all students will file by that deadline, we do expect the number who do to increase. However, that projection cannot be determined, so calculations are based on the number of students who have filed by the deadline this year.

Since an increase in the number of eligible students does not require a specific increase in the appropriation to the program, the projected fiscal impact of this change is zero. However, there are about 500 students who have indicated they will attend Western Governors University next year who have an Expected Family Contribution (EFC) of less than \$12,000, making them potentially eligible for an award. The current award amount is at the statutory minimum of \$1,500, and adding this pool of students would require \$750,000 (500 x \$1,500) to continue to

ASSUMPTION (continued)

meet that minimum obligation.

Officials at the **Metropolitan Community College (MCC)** assume the exact impact to MCC is unknown. The Access Missouri program is already seeing financial restraints due to the number of students eligible for the program and the amount of funding that is available. While the intent is to add "virtual institutions" to the list of eligible schools for the program, the scholarship is already being awarded below the statutory maximums. Adding additional eligible institutions, will potentially further limit the amount of funding available for each student and institutions as a whole. For FY2014, we received \$531,160 in Access MO funds for 1,317 students. Current year to date totals are \$673,920 for 1,416 students (award amounts increased slightly for this year). Each year, the award amounts vary based on number of eligible students and appropriations so adding additional eligible students/institutions could have an impact on the amount of funding students/MCC would receive.

Officials at the **Missouri State University** and the **University of Central Missouri** each assume there is no fiscal impact to their respective organization from this proposal.

In response to similar legislation filed this year, HB 1254, officials at the **State Technical College of Missouri, St. Louis Community College, Office of the Governor** and the **University of Missouri** each assume there is no fiscal impact to their respective organization from this proposal.

**Oversight** notes this proposal would allow students that attend approved virtual institutions to receive money from the Access Missouri Financial Assistance Program. Approved virtual institution is defined as an institution recognized by executive order. Currently, there is only one virtual institution that would qualify and it is Western Governors University (Executive Order 13-04).

**DHE** estimates there are currently 1,500 students who attend Western Governors University. DHE estimates only about 500 would be eligible for Access Missouri Financial Assistance.

**Oversight** notes each year the Legislature appropriates funding for the Access Missouri Financial Assistance Program. In FY 2015, \$78,500,000 was appropriated for a projected 56,000 students. Should the amount of the appropriation remain the same then the amount distributed to each individual student would be reduced. Should the Legislature decide to increase the appropriation to cover these students then General Revenue would be impacted but the student's funding level would not. Oversight will show the impact as \$0 (no additional funds appropriated) to the \$750,000 estimated by DHE.

ASSUMPTION (continued)

§178.550 Career and Technical Education Advisory Council

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal would result in an insignificant increase in travel expenses.

In response to the previous version, officials at the **Office of the Governor** assumed there was no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Missouri Senate** assumed there was no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Missouri House of Representatives (House)** assumed this proposal would have no fiscal impact. Expenses of House members on the Career and Technical Education Advisory Council will be picked up by DESE or absorbed within existing House resources.

**Oversight** assumes the travel expenses can be absorbed within current appropriation by DESE, the House and Senate.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Savings</u> - DESE - penalties levied against schools not maintaining their gifted programs §163.031	\$0	\$3,408,160	\$3,408,160
<u>Costs</u> - Department of Elementary and Secondary Education - data collection §170.029	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Costs</u> - DHE - funding for the Access MO Financial Assistance Program §173.1102	<u>\$0 to (\$750,000)</u>	<u>\$0 to (\$750,000)</u>	<u>\$0 to (\$750,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Less than <u>\$850,000</u>)</b>	<b><u>\$2,558,160</u></b>	<b><u>\$2,558,160</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>LOCAL SCHOOL DISTRICT FUNDS</b>			
<u>Loss - School Districts - penalties from not maintaining a gifted program §163.031</u>	<u>\$0</u>	<u>(\$3,408,160)</u>	<u>(\$3,408,160)</u>
<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS</b>	<b><u>\$0</u></b>	<b><u>(\$3,408,160)</u></b>	<b><u>(\$3,408,160)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies provisions relating to career and technical education.

**CAREER AND TECHNICAL EDUCATION CERTIFICATE:** This act requires the State Board of Education, in consultation with the Career and Technical Education Advisory Council, to establish minimum requirements for a career and technical education certificate that a student can earn in addition to a high school diploma. Students entering high school in school year 2016-2017 and thereafter will be eligible to earn a CTE certificate.

The CTE requirements are intended to provide students with the necessary technical employability skills to be prepared for an entry-level career in a technical field or additional training in a technical field but must not be a means of tracking students, as described in the act. The State Board must work with local districts to ensure tracking does not occur.

Each local district will determine the curriculum, programs of study, and course offerings based on the needs and interests of the students in the district. The State Board must work with individual districts to stipulate the minimum number of CTE offerings. Each local district must strive to offer programs of study that are economically feasible. By January 1, 2016, the Department of Elementary and Secondary Education must develop a process for recognition of a district's career and technical education program that offers a career and technical education certificate. (§170.029)



FISCAL DESCRIPTION (continued)

**CAREER AND TECHNICAL EDUCATION ADVISORY COUNCIL:** This act modifies the composition of the Career and Technical Education Advisory Council. Instead of the Governor appointing the Advisory Council's current eleven members, the Commissioner of Education will make these appointments. This act also expands the Advisory Council's membership to include two senators, appointed by the President Pro Tempore of the Senate, and two representatives, appointed by the Speaker of the House of Representatives. The four legislative members will serve on the Advisory Council until they resign, are no longer members of the General Assembly, or are replaced by new appointments. (§178.550)

This proposal permits eligible students to be able to use funds from the Access Missouri financial assistance program at an approved virtual institution. An approved virtual institution is an education institution that meets the following requirements: is recognized as a qualifying institution by gubernatorial executive order prior to August 28, 2015 and through a memorandum of understanding; is a nonprofit institution; is accredited by a regional accrediting agency recognized by the U.S. Department of Education; has established and continuously maintains at least twenty-five full-time Missouri employees, at least one-half of which must be faculty or administrators engaged in Missouri operations; enrolls at least one thousand Missouri residents as degree or certificate seeking students; and maintains a governing body or advisory board based in Missouri with oversight of Missouri operations.

The award amount range for a student attending an approved virtual institution is a maximum of \$2850 and a minimum of \$1500. (§173.1101)

This proposal prohibits school districts from determining whether a child is gifted based on the child's participation in an advanced placement course or international baccalaureate course. Whether a child is gifted must be determined using the statutory definition of "gifted children." (§162.720)

Beginning in the 2016-2017 school year and in each school year after that, if a district experiences a decrease in its gifted program enrollment of twenty percent or more from the previous school year, an amount equal to the product of the difference between the number of students enrolled in the gifted program in the current school year and the number of students enrolled in the gifted program in the previous school year multiplied by six hundred eighty dollars will be subtracted from the district's current year payment amount. (§163.031)

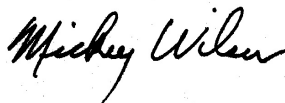
This proposal also repeals a similar obsolete penalty on districts with reductions in gifted program enrollment. This penalty expired at the end of the 2011-2012 school year. (§163.031)

FISCAL DESCRIPTION (continued)

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

Carondelet Leadership Academy  
Columbia Public Schools  
Department of Elementary and Secondary Education  
Department of Higher Education  
Everton R-III School District  
Joint Committee on Administrative Rules  
Kansas City Public Schools  
Malta Bend School District  
Metropolitan Community College  
Missouri House of Representatives  
Missouri Senate  
Missouri State University  
Office of the Governor  
Office of the Secretary of State  
Riverview Gardens School District  
Special School District of St. Louis  
State Technical College of Missouri  
St. Louis Community College  
University of Central Missouri  
University of Missouri



Mickey Wilson, CPA  
Director  
May 6, 2015

Ross Strobe  
Assistant Director  
May 6, 2015