

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0086-04
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HB 93
Subject: Economic Development; Department of Economic Development; Education,
Elementary and Secondary
Type: Original
Date: May 26, 2017

Bill Summary: This proposal modifies provisions relating to job training.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Community College*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfers in from General Revenue and expenses net to zero.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§160.2700 - §160.2725 Adult High Schools

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal requires the department to establish graduation requirements and certify the satisfaction of them. These tasks can be performed with existing resources.

Officials at the **Department of Higher Education** assume there are two major state aid programs requiring students to enter into college the year after they graduate from high school that could be affected by this legislation: Bright Flight and A+. While, we cannot estimate an exact fiscal impact on these programs, we believe it would be minimal.

In response to similar legislation filed this year, SB 406, officials at **Butler County** and **Boone County** each assumed this would not fiscally impact their county.

Officials at **Missouri State University, Missouri Western State University, State Technical College of Missouri, St. Louis Community College, University of Central Missouri** and the **University of Missouri** each assume there is no fiscal impact from this proposal to their respective institutions.

Oversight notes this proposal would allow for the creation of four adult high schools. The adult high school would serve students who are 21 and older who need to get a diploma and job training, while the adult high school also provides child care services. The adult high schools would not be eligible for funding under the foundation formula or local funding intended for public schools.

Oversight notes that Missouri has 518 school districts that support 610 high schools. This proposal would allow for 4 additional high schools dedicated to students over 21.

This proposal creates a process by which a Missouri-based nonprofit organization can obtain a license to operate adult high schools. The licensee must commit at least \$2 million to create four adult high schools. Those adult high schools are restricted to St. Louis City, Butler County (or a contiguous county), Boone County, and Greene County (or a contiguous county). The licensee must form a partnership with a public post-secondary education institution to help address the needs of job training.

ASSUMPTION (continued)

Oversight notes this proposal would require DESE to grant a license to the Missouri-based nonprofit. According to this proposal, the bidding process is to follow the standard bidding procedures established by Office of Administration. Oversight assumes that DESE could handle the granting of the license with existing resources.

Oversight notes that DESE is to help the licensee establish procedures for students to obtain a high school diploma. Additionally, the licensee is to award those diplomas upon successful completion of the coursework. Oversight notes that DESE already has procedures for obtaining a diploma and therefore should be able to handle these duties with existing resources.

Oversight notes that it is unclear if and when these adult high schools will be built. However, DESE must grant a license before January 1, 2018. A minimum requirement for the schools to be in operation is 21 months (approximately September of 2019, which is FY 2020). Additionally, students would need to complete their missing coursework in order to receive a diploma.

Oversight notes that the licensee is to file an annual report with DESE which includes information on the adult high school meeting industry needs in the state. DESE in turn is to present an annual report to the Joint Committee on Education. Oversight assumes the collection and presentation of the required annual reports can be done by DESE using existing resources.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

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.

ASSUMPTION (continued)

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.

§620.800 - §620.809 Mo Works Training Program

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this bill will make changes beginning August 28, 2017, to the financing structure of the various Missouri Works Training Programs. The proposal provides for direct General Revenue appropriations to be disbursed for training projects. B&P assumes that expenditures out of the existing training funds, especially those backed by withholding retentions, will decrease over a number of years. Instead, withholding revenues that would have otherwise been deposited in the designated training funds will now be deposited in General Revenue, offsetting the increased appropriations above.

This proposal should not directly impact Total State Revenues; however, going forward, funds will be deposited into General Revenue that might otherwise have been deposited into the designated training funds.

B&P notes that in FY 2016:

- \$8.5 million was spent from the Missouri Job Development Fund
- \$6.5 million was spent from the Community College Job Retention Training Program
- \$2.8 million was spent from the Community College New Jobs Training Program

Officials at the **Office of the State Treasurer**, the **Department of Economic Development**, the **Department of Higher Education** and the **Department of Revenue** each assumed there would be no fiscal impact from this proposal.

§620.800 Definitions

Oversight notes this portion of the proposal changes the definition of “new capital investment”. Oversight assumes this portion of the proposal would not have a fiscal impact.

§620.803

Oversight notes this portion of the proposal allows the DED to use some of their funding (not to exceed \$50,000) to contract out for advertising, marking or promotions. Oversight assumes since the agency is using their existing appropriation, there will not be a fiscal impact from this portion of the proposal.

ASSUMPTION (continued)

§620.806 Mo Works Job Development Fund

Officials at the **Department of Economic Development (DED)** assume there is no fiscal impact from this proposal.

Oversight notes that according to DED’s website, “Missouri Works Training provides funds directly to companies based on the application and training plan.” According to DED’s budget submissions, the Missouri Works Job Development Training program had the following activity:

	FY 2014	FY 2015	FY 2016	FY 2017 (planned)
Missouri workers trained	37,355	18,738	36,038	35,000
Number of businesses served	395	200	322	300
Average company award	\$37,974	\$30,000	\$39,000	\$41,000
Total Expenditure for program	\$14,840,437	\$4,238,721	\$12,802,438	\$14,039,985

Oversight will utilize DED’s response and assume the change in the program from this proposal will not have a fiscal impact.

§620.809

Oversight notes the Missouri Works Community College New Jobs Training Program Fund and the Community College Job Retention Training Fund provide assistance to eligible companies to train workers in newly created or retained jobs. These programs help offset the training costs associated with a new start-up or expanded company. The training is provided by community colleges. The Funds receive money from diverting a portion of the state employer withholding tax based on the payroll of the newly created or retained job. The money in the Funds is then used to reimburse the community college for the training they provided. Currently, statutes prohibit the General Assembly from transferring any General Revenue to these Funds (§620.809.1 and §620.809.2).

Oversight notes a portion of this proposal would allow the General Assembly to disburse funds to DED from General Revenue to pay for the training. Subject to appropriation, this payment would be made to the community colleges upon commencement of the project. Currently they are paid after the training is complete.

Oversight will show the impact to General Revenue as \$0 (no money is appropriated) to Unknown. Oversight assumes the community colleges will spend the money upon receipt.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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GENERAL REVENUE FUND

<u>Transfer Out</u> - to Community Colleges for training §620.809	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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COMMUNITY COLLEGE FUNDS

<u>Transfer In</u> - from General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Cost</u> - training expenses §620.809	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON COMMUNITY COLLEGE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses that join together as a consortium could qualify for these benefits.

FISCAL DESCRIPTION

The bill establishes four adult high schools to be operated by a Missouri nonprofit organization. An "adult high school" is defined as a school for individuals who are at least 21 years old and without a high school diploma, which offers industry certification programs that include a high school diploma and which provides on-site child care for students (§160.2700).

FISCAL DESCRIPTION (continued)

This bill requires the Department of Elementary and Secondary Education (DESE) to grant a license to a Missouri-based nonprofit organization before January 1, 2018, to establish and operate four adult high schools with locations as specified in the bill. Currently, these areas are St. Louis City, Butler County or contiguous counties, Greene County or contiguous counties, and Boone County.

The license will be granted by a bid process conducted in accordance with the rules and regulations governing purchasing through the Office of Administration. The bill specifies the requirements for a successful bid. The requirements include:

- (1) Demonstrating the ability to establish four adult high schools within 21 months of receiving the license;
- (2) Committing a minimum of \$2 million in investment for the necessary infrastructure to operate the four schools;
- (3) Demonstrating substantial and positive experience in providing services, including industry certifications and job placement services, establish a partnership with a state-supported post-secondary education institution, if necessary;
- (4) Establishing a comprehensive plan for how each adult high school will help address the need for a sufficiently trained workforce in the surrounding region for each adult high school and establish partnerships and strategies for engaging the community and business leaders in carrying out the goals of each adult high school;
- (5) Establishing the ability to meet quality standards through certified teachers and programs;
- (6) Creating a plan for assisting students in overcoming barriers; and
- (7) Establishing a process for determining the outcomes of the adult high school.

This bill requires DESE to establish specific requirements for a student to obtain a high school diploma. The requirements must be based on an adult student's prior high school achievement and the remaining credits and coursework required for the student to receive a high school diploma if he or she were in a traditional high school setting. An adult student shall meet the requirements with the same level of academic rigor as would otherwise be necessary, at his or her own pace and as available from the school.

The bill specifies that the high schools shall award high school diplomas to adult students who successfully complete the requirements and the diploma will be indistinguishable from a traditional high school diploma. This bill allows an adult student to complete required coursework at his or her own pace and as available through the adult high school. The bill prohibits DESE from creating additional regulations or burdens on the adult high school or an adult student beyond certifying necessary credits and ensuring that a student has sufficiently

mastered the subject matter to make

FISCAL DESCRIPTION (continued)

him or her eligible for credit (§160.2705).

This bill requires admission preference be given to a student who receives any local, state, or federal assistance in which a person or family is required not to exceed a certain income level in order to qualify for the assistance (§160.2710).

The bill specifies that an adult high school shall not receive funding from the foundation formula established under §163.031 and will not receive any local funding that is intended to benefit traditional public schools or charter schools in the state. An adult high school may receive funding from public or private sources, including from the non-profit organization operating the adult high school. If the school receives funding from a public source it must operate in a manner that does not violate the provisions of Article IX, Section 8, or Article I, Section 7, of the Missouri Constitution or the First Amendment of the United States Constitution. The non -profit organization operating the school must ensure that the school is funded to operate year-round and set the following outcome expectations:

- 1) Each year, at least 75% of the school's students shall graduate or continue working toward a high school diploma or an industry certification;
- 2) At least 50% of the school's graduates shall attain an industry certification or enroll in higher education or more advanced skills training within six months of graduation;
- 3) At least 85% of the school's graduates who do not enroll in higher education or more advanced skills training shall be employed within six months of graduation; and
- 4) The school's graduates who enter the workforce shall earn, on average, a wage at least 20% greater than the average Missouri wage rate for individuals without high school diplomas (§160.2715).

The licensed nonprofit organization shall submit an annual report to DESE, the Joint Committee on Education, the Governor, the Speaker of the House, and the President Pro Tem of the Senate before December 1 of each year (§160.2720).

MISSOURI WORKS

This bill modifies the definition of "new capital investment" by allowing costs incurred by a qualified company at the project facility prior to acceptance of the proposal for benefits to be considered new capital investment (§620.800).

The bill allows the Department of Economic Development to contract with other entities for the

purpose of advertising, marketing, and promoting the Missouri Works Training program. Such marketing shall not exceed \$50,000 annually (§620.803).

FISCAL DESCRIPTION (continued)

This bill also allows the department to provide assistance through the Missouri Works Job Development Fund to a consortium of companies if a majority of the consortium are qualified companies (§620.806).

Currently, Missouri Works Training projects are funded by redirecting withholding taxes remitted by a qualified company for new or retained jobs created by the company. Subject to appropriation, the bill allows the department to provide up-front funding from appropriations from the General Revenue Fund. For projects that utilize such funding, the amount of withholding taxes redirected for the project shall be reduced by the amount of funds received through the general revenue appropriation (§620.809).

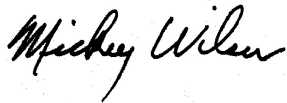
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Boone County
Butler County
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Revenue
Joint Committee on Administrative Rules
Metropolitan Community College
Missouri State University
Missouri Western State University
Office of Administration
Division of Budget and Planning
Office of the State Treasurer

SOURCES OF INFORMATION (continued)

Office of the Secretary of State
State Technical College of Missouri
St. Louis Community College
University of Central Missouri
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 26, 2017

Ross Strobe
Assistant Director
May 26, 2017