

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1731-02  
Bill No.: SB 406  
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education  
Type: Original  
Date: February 17, 2017

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Bill Summary: This proposal requires the creation of adult high schools.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0	\$0	\$0 or (Less than \$100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Less than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal requires the department to establish graduation requirements, certify the satisfaction of them, and award diplomas. We require .5 FTE Supervisor to manage the record keeping for these duties.

Diplomas will cost approximately \$12 each. We cannot estimate the number of students because it depends upon the number who choose to participate.

Many bills considered by the General Assembly include provisions allowing or requiring additional FTEs to implement the act. DESE is provided with core leased space to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for leased space for new FTEs for this fiscal note is a small amount and DESE does not expect that additional leased space would be required. However, DESE 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 our office can sustain with current leased space. Therefore, DESE reserves the right to request funding for the cost of expanding FTE, including space, should the need arise based on a review of the bills signed by the Governor.

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.

Officials at the **Butler County** and **Boone County** each assume this would not fiscally impact their county.

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

**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.

ASSUMPTION (continued)

**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, Boone County, and Greene County. The licensee must form a partnership with a post-secondary education institution to help address the needs of job training.

**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, DESE 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. Should the number of students reach the level to justify additional FTE, then DESE could seek those FTE through the appropriation process.

**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 will show an impact of \$0 (no schools built or students graduate) to less than \$100,000 for the cost of the diplomas starting in FY 2020.

**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

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DESE diplomas for adult graduates</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Less than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Less than \$100,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

This act 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, as defined in the act, with one location in St. Louis City and one location each in Butler County, Greene County, and Boone County, or a county contiguous to each of these counties.

The license shall be granted by a bid process conducted in accordance with the rules and regulations governing purchasing through the Office of Administration. The requirements for a successful bid are described in the act. The act requires DESE to work with the successful bidder to assess the specific requirements for a student to obtain a high school diploma. The requirements shall 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.

The act specifies that DESE 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 act allows an adult student to complete required coursework at his or her own pace and as available through the adult high school. The act 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 him or her eligible for credit.

A person must be 21 years of age or older and have not yet earned a high school diploma in order to be eligible to enroll in an adult high school. Admission preference shall 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.

The act specifies that an adult high school shall not receive funding from the foundation formula and shall not receive any local funding that is intended to benefit traditional public schools in the state. An adult high school may receive funding from public or private sources, including from the nonprofit organization operating the adult high school. If the adult high 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 nonprofit organization operating the adult high school shall ensure that funding for the school enables it to operate year-round, and it shall set outcome expectations for the school as described in the act. The nonprofit organization shall submit an annual report to DESE, as

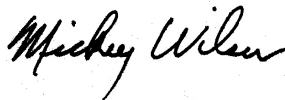
FISCAL DESCRIPTION (continued)

described in the act, and DESE shall submit the report to the Joint Committee on Education, the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate before December first each year.

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 Elementary and Secondary Education  
Department of Higher Education  
Joint Committee on Administrative Rules  
Metropolitan Community College  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
Office of the Secretary of State  
State Technical College of Missouri  
University of Central Missouri  
University of Missouri



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