

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0715-01
Bill No.: SB 16
Subject: Higher Education; Department of Higher Education
Type: Original
Date: January 28, 2019

Bill Summary: This proposal creates the Fast-Track Workforce Incentive Grant.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to (Could exceed \$22,200,480)	\$0 to (Could exceed \$22,644,490)	\$0 to (Could exceed \$23,210,603)
Total Estimated Net Effect on General Revenue	\$0 to (Could exceed \$22,200,480)	\$0 to (Could exceed \$22,644,490)	\$0 to (Could exceed \$23,210,603)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Fast-Track Workforce Incentive Grant Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Funds transferred in and costs net to zero.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education (DHE)** state this proposal would establish the Fast-Track Workforce Incentive Grant, a need-based program designed to assist adult students enroll and complete instructional programs leading to high demand and high wage employment. Eligible programs of study would be designated by the Coordinating Board. Eligible students would be U.S. citizens or permanent residents with an adjusted gross income (AGI) of \$80,000 or less and who are 25 years of age or older or have not been enrolled in a postsecondary education program for the prior two academic years. Awards would cover any remaining tuition and fee costs after all other governmental student financial aid (federal, state and local). Students whose tuition and fee cost are fully covered by such aid would receive a flat \$500 award. Current enrollment in programs that are likely to be designed as required by the statute is 26,928 (SY 2017-2018). Based on data provided as part of the Free Application for Federal Student Aid (FAFSA), 45.8 percent of those individuals are age 25 or older (12,345). Of those aged students, 95 percent have a reported AGI of \$80,000 or less (11,740).

It is assumed that the availability of this grant will increase interest and enrollment in eligible programs. Consequently, this estimate assumes enrollment will increase by 10 percent, resulting in a total eligible population of 12,914. Based on FAFSA data for this population, it is assumed 85 percent of the eligible population would be eligible for a federal Pell grant (10,997). Because most or all of the tuition and fee costs for these individuals would be covered by other financial aid, it is assumed the average award for this group would be \$1,000. The remaining 15 percent (1,937) would likely be eligible for a more limited package of financial aid. Consequently, it is assumed these individuals would receive an average award of \$2,540. The total cost to fully fund the program for this population of eligible students would be \$16,013,200 ($(\$1,000 \times 10,977 = \$10,977,000) + (\$2,540 \times 1,937 = \$4,919,980)$).

The program also offers the opportunity for individuals with some college but no degree to receive assistance for a limited time (two years). Based on the most recent U.S. Census data, approximately 710,000 Missouri residents have some college but no degree. Given the difficulty of convincing these individuals to return to postsecondary education and the limited program areas likely to be approved by the Coordinating Board, we assume only .5 percent or 3,550 would be eligible for payment under the program. Of those, we estimate 82 percent would be Pell grant eligible (2,911) and would receive an average award of \$1,500. Higher awards are assumed here because it would be expected that many of these students would enroll in four-year institutions, where tuition is substantially higher than for the direct workplace entry programs described above. The remaining 18 percent (639) are not Pell eligible and, as a consequence, would receive an average award of \$3,000. The total cost to fully fund this component of the program

ASSUMPTION (continued)

would be \$6,283,500 ($(\$1,500 \times 2,911 = \$4,366,500) + (\$3,000 \times 639 = \$1,917,000)$).

Based on these estimates and assumptions, the total cost for the scholarship component of the program would be \$22,200,480 for the initial year of operation. Assuming average annual tuition increases of two percent, the second year cost would be \$22,644,490 and the third year cost would be \$23,210,603.

Oversight notes a request for fiscal impact was sent to the Department of Higher Education on December 6, 2018 and was due back to Oversight by December 21, 2018. Oversight received a response on January 25, 2019. Oversight has presented this fiscal note on the best current information.

Oversight assumes this section creates the Fast-Track Workforce Incentive Grant Fund which consists of appropriations to be used for establishing and supporting the Fast-Track Workforce Incentive Grant program. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight notes DHE indicated they are not requesting administrative costs to administer the program; therefore, there are no administrative costs included in the fiscal note response. Oversight is uncertain if this would require DHE to utilize other resources within the agency resulting in a reduction of services as currently provided by DHE. Oversight will show administrative costs of \$0 to unknown.

DHE also indicated they anticipate designating programs and awarding scholarships for the 2019-2020 school year (FY 2020); therefore, Oversight will show costs beginning in FY 2020.

Oversight notes, per the transcript of Governor Parson's 2019 State of the State speech, the Governor is "advocating that we provide \$22 million dollars to fund a program known as Fast Track". Oversight is uncertain if the \$22 million dollars recommended by the Governor includes administration costs or is limited to anticipated program disbursements. Additionally, Oversight notes that this proposal does not provide for a cap; therefore, Oversight will show a range of cost from \$0 to could exceed DHE's estimates, as appropriated by the State.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

ASSUMPTION (continued)

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

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 \$5,000. 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 require additional resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost - DHE - administration costs</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Transfer Out - to Fast-Track Workforce Incentive Grant Fund</u>	\$0 to (Could exceed <u>\$22,200,480</u>)	\$0 to (Could exceed <u>\$22,644,490</u>)	\$0 to (Could exceed <u>\$23,210,603</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to (Could exceed <u>\$22,200,480</u>)	\$0 to (Could exceed <u>\$22,644,490</u>)	\$0 to (Could exceed <u>\$23,210,603</u>)

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
FAST-TRACK WORKFORCE INCENTIVE GRANT FUND			
	\$0 to Could exceed	\$0 to Could exceed	\$0 to Could exceed
<u>Transfer In - from General Revenue</u>	\$22,200,480	\$22,644,490	\$23,210,603
	\$0 to (Could exceed	\$0 to (Could exceed	\$0 to (Could exceed
<u>Cost - Fast-Track Workforce Incentive Grants and program administration</u>	<u>\$22,200,480)</u>	<u>\$22,644,490)</u>	<u>\$23,210,603)</u>
ESTIMATED NET EFFECT ON FAST-TRACK WORKFORCE INCENTIVE GRANT FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Small Business</u>			

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

FISCAL DESCRIPTION

This act creates the "Fast-Track Workforce Incentive Grant" to provide grants for Missouri citizens to attend an approved Missouri postsecondary institution of their choice.

To be eligible, a student must meet certain criteria set forth in the act, including having an adjusted gross income of less than \$80,000 and being at least 25 years of age. Grant funding may be renewed, but the student must continue to meet the eligibility requirements and must demonstrate a grade-point average of 2.5 on a 4.0 scale.

Eligibility for a grant expires upon the earliest of receipt of the grant for four semesters or the equivalent, receipt of a bachelor degree, or reaching 200% of the time typically required to complete the program of study.

FISCAL DESCRIPTION (continued)

The Coordinating Board for Higher Education must designate eligible programs of study by January 1, 2020. The eligible programs must be reviewed and updated by the coordinating board annually.

In addition, the Coordinating Board shall be the administrative agency for implementation of the program, shall determine the criteria for eligibility, shall evaluate each applicant's eligibility, and shall select qualified recipients. The Coordinating Board shall also determine eligibility for renewed assistance.

Grants shall be awarded in an amount equal to the actual tuition and general fees charged of an eligible student after all other federal and state aid are applied. If a grant amount is reduced to zero due to the receipt of other aid, the eligible student shall receive an award of up to \$500 or the remaining cost of attendance, whichever is less.

If appropriated funds are insufficient to fund the program, students with the earliest Free Application for Federal Student Aid (FAFSA) date shall be given priority until all funds are expended.

Students may transfer the financial assistance from one approved public, private, or virtual institution to another without losing eligibility for the program.

This act creates in the State Treasury the "Fast-Track Workforce Incentive Grant Fund". The fund shall be used solely by the Coordinating Board for the purposes of this act.

SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Office of the Governor
Office of the Secretary of State
Office of the State Treasurer
Department of Higher Education



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