

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1233-01
Bill No.: SB 205
Subject: Elementary and Secondary Education; Department of Higher Education; Higher Education
Type: Original
Date: March 4, 2019

Bill Summary: This proposal modifies provisions relating to the A+ Schools Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(Could exceed \$9,838,111)	(Could exceed \$9,932,083)	(Could exceed \$10,120,304)
Total Estimated Net Effect on General Revenue	(Could exceed \$9,838,111)	(Could exceed \$9,932,083)	(Could exceed \$10,120,304)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 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
General Revenue	1 FTE to 3 FTE	1 FTE to 3 FTE	1 FTE to 3 FTE
Total Estimated Net Effect on FTE	1 FTE to 3 FTE	1 FTE to 3 FTE	1 FTE to 3 FTE

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

Oversight notes a request for fiscal impact was sent to the Department of Higher Education on January 7, 2019 and was due back to Oversight by January 22, 2019. Oversight received a response on March 4, 2019. Oversight has presented this fiscal note on the best current information.

Officials from **Department of Higher Education** assume this bill proposes to revise the student eligibility requirements for the A+ scholarship and extend A+ eligibility to include dual credit and dual enrollment courses.

Paragraph (1) of Subsection 8 reduces the number of years from three to two that a student must attend a designed high school in order to be eligible for the postsecondary scholarship. In addition, the revised provision would no longer require the eligible student to graduate from an A+ designated high school. While these changes would have the effect of expanding the pool of eligible students, and thus the cost of the program, accurate data regarding the extent of that change is not available. Consequently, this cost estimate does not include these provisions. Paragraph (3) of Subsection 8 would potentially require schools to check student grade point average (GPA) before each semester. Currently some institutions only check student GPA once per academic year. As such, this change could impact eligibility, both positively and negatively, for some students. It is assumed the positive and negative impacts would offset and there would be no fiscal impact from this change.

Subsection 9 requires the MDHE to establish a procedure to reimburse students for costs associated with enrollment in dual credit and dual enrollment coursework offered by postsecondary education institutions currently authorized to participate in this program. Those institutions are Missouri public community colleges, State Technical College, public area vocational schools and Ranken Technical College. Dual credit coursework is defined by the MDHE as college-level coursework delivered within a high school classroom taught by a high school faculty member that results in both high school and college credit. Dual enrollment is coursework delivered by a college or university and taught by regular college faculty that results in both high school and college credit. Dual enrollment courses may be delivered within the high school or on the college campus.

The primary eligibility criteria for A+ reimbursement that would be applicable to dual credit and dual enrollment students is a 2.5 cumulative grade point average and an attendance rate of 95 percent. The other high school eligibility provisions (for example, tutoring/mentoring) may not be appropriate to apply and would be impossible to measure for this estimate. Since most high

ASSUMPTION (continued)

schools already require dual credit and dual enrollment students to meet at least a 2.5 GPA requirement, that provision would have no impact. It is assumed students taking these courses are higher achieving students and, as a consequence, the attendance requirement would have limited or no impact on eligibility.

The most recent year for which dual credit data are available is the 2015-2016 academic year. In that year, 14,114 students completed 77,254 credit hours from dual credit coursework offered by A+ eligible postsecondary institutions. Based on data collected by the MDHE, the average per credit hour cost of dual credit coursework is approximately \$75 per credit hour. Using that cost basis and assuming full funding for all eligible students, this component of the proposal would cost approximately \$5,794,050 ($77,254 \times \75) in the first year of implementation.

The following are the major assumptions underlying this estimate.

- Because the level of dual credit participation in coursework offered by A+ eligible postsecondary institutions used in this estimate already exists, it is assumed there would be no cost overlap with the current A+ program that would reduce this figure.
- While it would be expected that reimbursement of the costs for dual credit coursework would increase the number of credit hours produced, it is not possible to accurately estimate that cost increase. Some of this increase could represent a shift from taking coursework after high school graduation, where the A+ program already covers the tuition and fee costs, to taking the coursework as dual credit making a reliable estimate of the increase even more difficult. Consequently, this estimate does not project an increase in the number of dual credit hours over the period covered by this fiscal note.
- It is important to note that the data used in this calculation only include credit hours for completed coursework rather than all coursework for which high school students enrolled. Although some additional students may be eligible for reimbursement, depending on payment policies, no adjustment has been made to reflect this issue.
- Since the average credit hour rate has been relatively stable for the past several years, it is assumed this estimated cost per credit hour would not change substantially during the period covered by this fiscal note.

The most recent year for which dual enrollment data are available is the 2016-2017 academic year. In that year, 13,346 high school students completed 37,272 credit hours at A+ eligible postsecondary education institutions. As with the dual credit calculation, it is assumed the GPA and attendance requirements will have little to no effect on the eligibility of students taking dual enrollment coursework for the proposed program. Since we do not have the necessary data to calculate an average tuition cost for these courses, a \$100 credit hour rate is assumed for this

ASSUMPTION (continued)

calculation. This results in a cost of \$3,727,200 ($\$100 \times 37,272$) for this component.

The following are the major assumptions underlying this estimate.

- Because this level of dual enrollment participation in coursework offered by A+ eligible postsecondary institutions already exists, it is assumed there would be no cost overlap with the current program that would reduce this figure.
- While it would be expected that reimbursement of the costs for dual enrollment coursework would increase the number of credit hours produced, it is not possible to accurately estimate that cost increase.
- It is important to note that the data used in this calculation only include credit hours for completed coursework rather than all coursework for which high school students enrolled. Although some additional students may be eligible for reimbursement, depending on payment policies, no adjustment has been made to reflect this issue.
- Average tuition costs at community colleges, based on A+ reimbursement rates for the past two years, have increased by approximately five percent each year. The following table displays the related cost increments for dual enrollment coursework for the first three years of operation.

Fiscal Year	Adjusted Cost
FY 2020	\$3,727,200 ($\$100 \times 37,272$)
FY 2021	\$3,913,560 ($\$105 \times 37,272$)
FY 2022	\$4,099,920 ($\$110 \times 37,272$)

Based on these assumptions, the total increased cost to the A+ program for the implementation of this proposal for the reimbursement of dual credit and dual enrollment costs would be as follows.

- FY 2020 - \$9,521,250 ($\$5,794,050 + \$3,727,200$)
- FY 2021 - \$9,707,610 ($\$5,794,050 + \$3,913,560$)
- FY 2022 - \$9,893,970 ($\$5,794,050 + \$4,099,920$)

ASSUMPTION (continued)

Oversight notes the following anticipated total program distributions:

Fiscal Year	FY 2020	FY 2021	FY 2022
Dual Credit p.4	\$5,794,050	\$5,794,050	\$5,794,050
Dual Enrollment p.5	\$3,727,200	\$3,913,560	\$4,099,920
Total	\$9,521,250	\$9,707,610	\$9,893,970

DHE assumes, in addition to these direct costs for reimbursement, revisions to the current system for administering state student assistance programs (FAMOUS) would be necessary to incorporate this additional component into the A+ program. I did not ask for a separate cost estimate from ITSD but used the cost estimate for HB 221, which is sufficiently similar to assume the cost would be virtually identical. ITSD estimated the cost of those revisions to be \$257,580 in the year of implementation. It is assumed any ongoing costs would be within the current maintenance cost for the FAMOUS system. Detailed information regarding the ITSD estimate is attached.

Given this proposal would substantially expand the program, including both additional scholarship recipients and the need for increased communication and data verification from the more than 600 A+ designated Missouri high schools, one additional staff FTE for a Research Associate I at \$35,000 annual salary and related costs for expense and equipment are included per Office of Administration (OA) guidelines and are required for adequate implementation and operation of this program.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this proposal, ITSD assumes they will contract out the programming changes need to A+ FAMOUS system. ITSD estimates the project would take 3,434.40 hours at a contract rate of \$75 per hour for a total cost to the state of \$257,580. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional two IT Specialists to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of hiring two additional FTE IT Specialists (roughly \$160,000 per year) to contracting out the work (\$257,580).

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume the proposal will have no fiscal impact on their organization. Since 2011, the Department of Higher Education has handled the payment portion of the A+ program.

Officials from **Missouri State University** assume this proposal would have a negative fiscal impact of an undetermined amount on the university.

Officials from the **State Technical College of Missouri** assume, if A+ is funded to include this change, there is no direct fiscal impact to the college.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Cost</u> - DHE - A+ expansion for dual credit & dual enrollment	(Could exceed \$9,521,250)	(Could exceed \$9,707,610)	(Could exceed \$9,893,970)
<u>Cost</u> - DHE			
Personal Service	(\$29,167)	(\$35,350)	(\$35,704)
Fringe Benefits	(\$19,397)	(\$23,383)	(\$23,491)
Equipment and Expense	<u>(\$10,717)</u>	<u>(\$4,478)</u>	<u>(\$4,516)</u>
<u>Total Cost</u> - DHE	(\$59,281)	(\$63,211)	(\$63,711)
FTE Change - DHE	1 FTE	1 FTE	1 FTE
 <u>Cost</u> - DHE - modifications to the A+ web application - ranged from ITSD estimate of contracting out (\$257,580 in FY 2020) to hiring 2 additional FTE			
	(\$133,263 to <u>\$257,580</u>)	\$0 to <u>(\$161,262)</u>	\$0 to <u>(\$162,623)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Could exceed <u>\$9,838,111</u>)	(Could exceed <u>\$9,932,083</u>)	(Could exceed <u>\$10,120,304</u>)
Estimated Net FTE Change for General Revenue	1 FTE to 3 FTE	1 FTE to 3 FTE	1 FTE to 3 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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 modifies the A+ Schools program by adding a requirement that high schools in the program shall demonstrate a commitment to ensure that all students earn credits towards any type of college degree while in high school. The Department of Higher Education shall establish a procedure for the reimbursement of the cost of tuition, books, and fees for any dual-credit or dual-enrollment course offered to a student in high school in association with a public community college or vocational or technical school.

Currently, to be eligible for the program, a student must have attended a high school in Missouri for at least three years prior to graduation. This act provides that the student must have attended a high school in the state for at least two years.

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 Higher Education
Department of Elementary and Secondary Education
Missouri State University
State Technical College of Missouri



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Director

Ross Strope
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