

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4646-02
Bill No.: HCS for HB 1607
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
Department
Type: # Updated
Date: April 26, 2006
To reflect updated information from DESE and Kansas City Metropolitan Community College

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
# General Revenue	(\$117,000)	(\$234,000)	(\$234,000)
# Total Estimated Net Effect on General Revenue Fund	(\$117,000)	(\$234,000)	(\$234,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	(Unknown)	(Unknown)	(Unknown)

*Expected to exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

According to officials from the **Coordinating Board for Higher Education (CBH)**, This proposed legislation would not directly impact the CBH. However, expansion of the A+ program will have a negative fiscal impact on the state, as this program is largely viewed as an entitlement.

According to the provisions related to qualified private vocational and technical schools, at least one institution would become eligible for A+ reimbursements. Depending on the interpretation of "any public or private vocational or technical school," other private institutions may also become A+ eligible since the term is not defined. The potential eligible institution annually

ASSUMPTION (continued)

averages 200 first time students from Missouri. If half of these Missouri students are eligible for A+ reimbursements, 100 additional A+ awards will be given each year. The legislation specifies that the tuition reimbursement shall not exceed the tuition rate charged by the local community college. The fall 2005 tuition and fee rate for St. Louis Community College is \$2340 in-district and \$3090 out-of-district. Assuming that half of the students are in-district and half out-of-district, the total cost per year is \$271,500, or \$543,000 for these students to receive an associate degree (2-year program). However, current A+ rules, promulgated by DESE, provide that financial incentives will be available to qualified students for a period of four years after high school graduation. Therefore, it may be possible for those students attending private vocational and technical schools that offer baccalaureate degrees to receive A+ funding to receive baccalaureate degrees.

Oversight obtained information from the Department of Elementary and Secondary Education, A+ Program, that in FY 05, of the 38,527 students eligible for A+, scholarships were paid out to 9,358 students (24.29%). For fiscal note purposes only, **Oversight** will assume potential cost at 25%. First year - 50 students @ \$2,340 = \$117,000; \$234,000 per year thereafter.

Officials from the **Department of Elementary and Secondary Education (DESE)**, stated that as of July 1, 2005, there were 219 high schools designated A+ out of 565 high schools. It is unknown how many A+ students currently attend the institutions described in this proposal or how many may attend if the legislation should pass. There is the potential for a fiscal impact in excess of \$100,000; however, DESE cannot estimate the potential impact.

In addition, allowing private institutions to participate in the A+ program would require the entire A+ program to move to an IFB (invitation for bid) process in order to comply with the provisions of Chapter 34 RSMo. The IFB process would require at least 1.0 FTE supervisor.

Oversight assumes the additional bid procedures which might be generated by the proposal could be processed with existing resources.

In response to the introduced version of the proposal, officials from the **University of Missouri (UM)** stated UM would incur no additional costs as a result of the passage of this proposal.

Officials from the **St Charles Community College**, in response to the introduced version of the proposal, state the proposal would have a negative fiscal impact on their institution.

Officials from the **Kansas City Metropolitan Community College** stated this proposed legislation could impact their institution should any private vocational or technical school in the ASSUMPTION (continued)

Kansas City area meet the qualifications of the legislation. The impact could range from 5% to 15% of the current A+ student population, depending on how many private vocational or technical schools in Kansas City quality and decide to participate. Under that scenario, the negative fiscal impact from lost revenues would range from between \$125,000 to \$375,000.

Oversight assumes that, at this time, there are no schools that meet the criteria for eligibility in the Kansas City area. No additional fiscal impact is assigned to other schools/areas.

Oversight assumes DESE would limit reimbursements to associate (two year) degree programs.

Oversight notes that the proposal would limit reimbursements to an amount equivalent to community college tuition and fees. **Oversight** assumes that the additional cost to the student due to higher tuition and fees at the private institutions would likely deter some students from attending the private institution. **Oversight** also assumes the proposal's restrictions would result in a relatively small number of A+ students who would choose to attend the private institutions. **Oversight** assumes DESE would only be required to evaluate the limited and specialized course offerings at two institutions, and that existing staff could perform those evaluations.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
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GENERAL REVENUE

# Cost - A+ reimbursement of tuition books, and fees for private vocational and technical schools	<u>(\$117,000)</u>	<u>(\$234,000)</u>	<u>(\$234,000)</u>
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# ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$117,000)</u>	<u>(\$234,000)</u>	<u>(\$234,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
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<u>Loss - Loss of Tuition/Fee revenue due to decreased enrollment *</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON COMMUNITY COLLEGES*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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*Expected to exceed \$100,000.

FISCAL IMPACT - Small Business

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

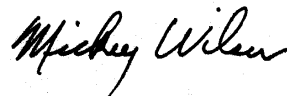
DESCRIPTION

Currently, a student who qualifies for the A+ Schools Program must attend a public community college, vocational, or technical school. This proposed legislation permits qualified students to attend private, not-for-profit vocational and technical schools that are members of the North Central Association and accredited by the Higher Learning Commission. Reimbursements at these schools must not exceed the community college tuition rate for similar course work offered within the service area of a community college or violate the constitutional provisions that prohibit the use of public funds for religious purposes.

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 Elementary and Secondary Education
Coordinating Board for Higher Education
Office of Secretary of State
Administrative Rules Division
Kansas City Metropolitan Community College
St Charles Community College
University of Missouri



Mickey Wilson, CPA
Director
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