COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4285-01
Bill No.: HB 1705
Subject: Education, Elementary and Secondary; Education, Higher; Political Subdivisions
Type: Original
Date: February 17, 2014

Bill Summary: This proposal allows students at two-year or four-year colleges or universities to seek tuition reimbursement for college remedial courses under certain circumstances.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown - Not expected to exceed $100,000)	(Unknown - Not expected to exceed $100,000)	(Unknown - Not expected to exceed $100,000)
Total Estimated Net Effect on General Revenue Fund	**(Unknown - Not expected to exceed $100,000)**	**(Unknown - Not expected to exceed $100,000)**	**(Unknown - Not expected to exceed $100,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Classroom Trust Fund*	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

***Offsetting Costs and Savings are Unknown - Could exceed $100,000.**
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	**(Unknown - Could exceed $100,000)**	**(Unknown - Could exceed $100,000)**	**(Unknown - Could exceed $100,000)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education**, **Office of House Research**, **Senate Research**, and the **Joint Committee on Legislative Research** each assume no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than $2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 their office can sustain with their core budget. Therefore, 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 with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Joint Committee on Education (JCE)** estimate the study required to be conducted by the JCE could require up to $5,000 beyond their regular appropriation. JCE anticipates a five-year study with multiple components which would require a subcontract for assistance with managing and analyzing the data. The estimate is based on the average wage of a graduate research assistant in the social sciences and the number of hours for which JCE anticipates needing assistance. Although assistance is to be provided by Legislative Research, House Research, and Senate Research, the data entry/coding and statistical analysis requires a different type of research than what those departments do.

Oversight notes the study required by the proposed legislation is to be done after the close of the 2018-2019 academic year, which is beyond the scope of the fiscal note.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the proposal requires DESE to establish a method by which a student may apply for, provide documentation for, and receive a reimbursement for remedial course tuition. Reimbursements

ASSUMPTION (continued)

shall be funded by withholdings from the Classroom Trust Fund payment of the graduating school district.

DESE does not track remedial courses taken by graduates who enroll in higher education courses. DESE cannot estimate the administrative costs or the number of staff required to develop and implement this reimbursement program, but assume significant costs. Costs for tracking and aggregating data cannot be estimated but will likely present a significant portion of the unknown costs.

In addition, local school districts will be negatively impacted because state aid that the district would have received will be paid to the graduate as a reimbursement. DESE cannot estimate this impact, but assume it would be significant.

Oversight assumes costs to DESE for the development and implementation of the reimbursement process is unknown, but will not exceed $100,000 per year.

Officials from the **Fulton School District** responded, but did not indicate fiscal impact.

Officials from the **Johnson County R-VII School District** assume an unknown negative fiscal impact on schools.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Cole R-I, Columbia, Fair Grove, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the following colleges and universities assumed no fiscal impact: **Linn State Technical College**, **Northwest Missouri State University**, **Missouri State University**, **Missouri Southern State University**, and the **University of Missouri System**.

Officials from the **University of Central Missouri** assume no fiscal impact as long as they do not have to handle the reimbursement process.

ASSUMPTION (continued)

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Lincoln University, Moberly Area Community College, Missouri Western State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Costs - Department of Elementary and Secondary Education - Administration of student reimbursement process	(Unknown - Not expected to exceed $100,000)	(Unknown - Not expected to exceed $100,000)	(Unknown - Not expected to exceed $100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Unknown - Not expected to exceed $100,000)**	**(Unknown - Not expected to exceed $100,000)**	**(Unknown - Not expected to exceed $100,000)**
CLASSROOM TRUST FUND			
Savings - Reduction in funds transferred to school districts	Unknown - Could exceed $100,000	Unknown - Could exceed $100,000	Unknown - Could exceed $100,000
Costs - Reimbursements to students for remedial courses	(Unknown - Could exceed $100,000)	(Unknown - Could exceed $100,000)	(Unknown - Could exceed $100,000)
ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
Loss - School Districts - Withholding from payments from Classroom Trust Fund	(Unknown - Could exceed $100,000)	(Unknown - Could exceed $100,000)	(Unknown - Could exceed $100,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown - Could exceed $100,000)**	**(Unknown - Could exceed $100,000)**	**(Unknown - Could exceed $100,000)**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Beginning with the 2014-2015 academic year, a person who enrolls in a public higher education institution after graduating from a Missouri public high school may apply for reimbursement of tuition for remedial courses, as defined in the bill.

The Department of Elementary and Secondary Education (DESE) must establish a procedure by which a student may apply for reimbursement twice a year. Reimbursement will be proportional to the graduating high school's three-year average percentage of students enrolled in remedial courses.

The Joint Committee on Education (JCE) must review data on remediation rates after the 2018-19 academic year to determine the effects of the reimbursement program on remediation rates, the correlation between end-of-course assessments and the need for remediation, the effect of competency alignment, the extent to which information about remediation rates is used to improve high school instruction, and other relevant matters. The JCE must make any recommendations it believes are necessary to the General Assembly.

DESE must consider, if the JCE recommends, creating a rule to establish an increasing penalty for districts that do not improve their remediation rate sufficiently.

Reimbursements will be funded by withholdings from the district's Classroom Trust Fund payment. Any amount needed for reimbursement in excess will be waived.

FISCAL DESCRIPTION (continued)

The bill also removes the prohibition on using information from the required report on remediation rates for any other purpose than reporting.

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
Department of Higher Education
Office of Secretary of State
    Administrative Rules Division
Joint Committee on Administrative Rules
Joint Committee on Legislative Research
Senate Research
House Research
Joint Committee on Education
School Districts
    Fulton
    Johnson County R-VII
Colleges and Universities
    Linn State University
    Northwest Missouri State University
    Missouri State University
    University of Missouri System
    Missouri Southern State University
    University of Central Missouri

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