

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0820-02
Bill No.: Perfected HCS for HB 225
Subject: Higher Education
Type: Original
Date: February 13, 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 \$18,410,540)	\$0 to (Could exceed \$18,577,158)	\$0 to (Could exceed \$18,948,701)
Total Estimated Net Effect on General Revenue	\$0 to (Could exceed \$18,410,540)	\$0 to (Could exceed \$18,577,158)	\$0 to (Could exceed \$18,948,701)

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 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
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)** assume this proposal as amended 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 if married filing jointly or \$40,000 or less if filing in any other status, and who are 25 years of age or older and 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 an award to cover any remaining cost of attendance up to \$500 per term.

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, 42 percent meet the income eligibility criteria (5,196).

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 5,716. Based on FAFSA data for this population, it is assumed 91 percent of the eligible population would be eligible for a federal Pell grant (5,202).

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 9 percent (514) would likely be eligible for a more limited package of financial aid. Consequently, it is assumed these individuals would receive an average award of \$2,600. The total cost to fully fund the program for this population of eligible students would be \$6,538,400 $((\$1,000 \times 5,202 = \$5,202,000) + (\$2,600 \times 514 = \$1,336,400))$.

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. Of this group, approximately 357,000 are between the ages of 25 and 45, the age group most likely to take advantage of the proposed program. 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 2 percent of the 25 to 45 population or 7,140 would be

ASSUMPTION (continued)

eligible for payment under the program. Of those, we estimate 91 percent would be Pell grant eligible (6,497) 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 9 percent (643) 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 would be \$11,674,500 ($(\$1,500 \times 6,497 = \$9,745,500) + (\$3,000 \times 643 = \$1,929,000)$).

Based on these estimates and assumptions, the total cost for the scholarship component of the program would be \$18,212,900 ($\$6,538,400 + \$11,674,500$) for the initial year of operation. Assuming average annual tuition increases of two percent, the second year cost would be \$18,577,158 and the third year cost would be \$18,948,701.

Est. Number of Recipients	Est. Award Amount	Year 1	Year 2	Year 3
5,202	\$1,000	\$5,202,000	\$5,306,040	\$5,412,161
514	\$2,600	\$1,336,400	\$1,363,128	\$1,390,391
6,497	\$1,500	\$9,745,500	\$9,940,410	\$10,139,218
643	\$3,000	\$1,929,000	\$1,967,580	\$2,006,932
12,856		\$18,212,900	\$18,577,158	\$18,948,701

MDHE will use existing personnel funding to handle any administration of this program. It is also assumed MDHE will have significant support for this program through public service announcements and other partnerships with community groups, chambers of commerce and higher education institutions in helping promote this programs to reach the population to be served. MDHE will also leverage existing state and department social media marketing opportunities available to educate the public about this new program.

The estimate from **Office of Administration - Information Technology (ITSD)** for this program is \$197,640. However, MDHE is working with ITSD and re-prioritizing our existing IT projects to accommodate this cost in the ITSD budget and is not requesting these funds in the fiscal note.

Oversight assumes the prioritization of this project would result in the foregoing of other DHE IT projects. Oversight will show the cost as provided by ITSD to DHE as \$0 to their estimate.

ASSUMPTION (continued)

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 were 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.

In response to a previous version, HB 225 (2019), **DHE** also indicated they anticipated 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.

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

In response to a previous version, HB 225 (2019), officials from the **Office of the Secretary of State (SOS)** stated 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

ASSUMPTION (continued)

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.

	FY 2020 (10 Mo.)	FY 2021	FY 2022
<u>FISCAL IMPACT - State Government</u>			
GENERAL REVENUE FUND			
<u>Cost</u> - DHE - administration costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> - DHE - program IT costs	\$0 to (\$197,640)	\$0	\$0
<u>Transfer Out</u> - to Fast-Track Workforce Incentive Grant Fund	\$0 to (Could exceed <u>\$18,212,900</u>)	\$0 to (Could exceed <u>\$18,577,158</u>)	\$0 to (Could exceed <u>\$18,948,701</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to (Could exceed <u>\$18,410,540</u>)	\$0 to (Could exceed <u>\$18,577,158</u>)	\$0 to (Could exceed <u>\$18,948,701</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**FAST-TRACK WORKFORCE
 INCENTIVE GRANT FUND**

<u>Transfer In</u> - from General Revenue	\$0 to Could exceed \$18,212,900	\$0 to Could exceed \$18,577,158	\$0 to Could exceed \$18,948,701
<u>Cost</u> - Fast-Track Workforce Incentive Grants and program administration	\$0 to (Could exceed \$18,212,900)	\$0 to (Could exceed \$18,577,158)	\$0 to (Could exceed \$18,948,701)

**ESTIMATED NET EFFECT ON
 FAST-TRACK WORKFORCE
 INCENTIVE GRANT FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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<u>FISCAL IMPACT - Small Business</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill 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 bill, including having an adjusted gross income of \$80,000 or less if married filing jointly or an adjusted gross income of \$40,000 or less for all others 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.

FISCAL DESCRIPTION (continued)

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.

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 board annually.

In addition, the 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 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 is 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 bill creates in the State Treasury the "Fast-Track Workforce Incentive Grant Fund." The fund shall be used solely by the board for the purposes of this bill.

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

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



Kyle Rieman
Director
February 13, 2019

Ross Strobe
Assistant Director
February 13, 2019