

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0820-03
Bill No.: SCS for HCS for HB 225
Subject: Higher Education
Type: Original
Date: April 15, 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 \$24,530,542)	\$0 to (Could exceed \$24,849,932)	\$0 to (Could exceed \$25,341,824)
Total Estimated Net Effect on General Revenue	\$0 to (Could exceed \$24,530,542)	\$0 to (Could exceed \$24,849,932)	\$0 to (Could exceed \$25,341,824)

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 11 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	0 to Could exceed 5 FTE	0 to Could exceed 5 FTE	0 to Could exceed 5 FTE
Total Estimated Net Effect on FTE	0 to Could exceed 5 FTE	0 to Could exceed 5 FTE	0 to Could exceed 5 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

Officials from **Department of Higher Education (DHE)** assume 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 if married filing jointly or \$40,000 or less if filing in any other status, 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 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). The remaining 14,583 students are enrolled but under the age of 25. Among students in this group, whom would be considered dependent by financial aid definition, 95 percent would meet the income eligibility criteria (13,854). Because of the two year enrollment limitation, which will have the greatest impact on this student group, it is estimated that 33 percent (4,571) would not have been enrolled for at least two years. This results in a total estimate of 9,768 eligible students.

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 10,744. Based on FAFSA data for this population, it is assumed 91 percent of the eligible population would be eligible for a federal Pell grant (9,777). 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 (967) 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 \$12,291,200 ($(\$1,000 \times 9,777 = \$9,777,000) + (\$2,600 \times 967 = \$2,514,200)$).

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,

ASSUMPTION (continued)

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 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 \$23,965,700 ($\$12,291,200 + \$11,674,500$) for the initial year of operation. Assuming average annual tuition increases of two percent, the second year cost would be \$24,445,014 and the third year cost would be \$24,933,914.

Est. Number of Recipients	Est. Award Amount	Year 1	Year 2	Year 3
9,777	\$1,000	\$9,777,000	\$9,972,540	\$10,171,991
967	\$2,600	\$2,514,200	\$2,564,484	\$2,615,774
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
17,884		\$23,965,700	\$24,445,014	\$24,933,915

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, depending upon state appropriations.

DHE will use existing personnel funding to handle any administration of this program with the exception of the loan repayment provisions of the bill. That will require the addition of one professional (\$35,000) and one clerical staff (\$28,036) and related expense and equipment.

DHE is also requesting \$50,000 in external audit funds for the loan program beginning in year two moving forward to fulfill the agencies fiduciary responsibilities associated with the bill.

ASSUMPTION (continued)

It is also assumed DHE 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 these programs to reach the population to be served. DHE will also leverage existing state and department social media marketing opportunities available to educate the public about this new program.

The total cost for DHE in year one would be \$24,530,542 for FY 2020, \$24,608,037 in year two for FY 2021 and \$25,097,887 in year 3.

Although enrollment in the program will likely be reduced by the timing of the program effective date (August 28) and the limited ability to provide prospective students with actionable information, it is impossible to project that impact. Given this situation and the level of funding projected for initial implementation of the program, the MDHE is prepared to adjust the initial implementation of the program in order to balance available appropriations with the student demand by delaying implementation until later in the academic year.

Officials from DHE state the estimate provided by the **Office of Administration - Information Technology (ITSD)** for this program is \$455,544 (6,074 hours x \$75 per hour).

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes need to the MEDL, MODL, and CDIS systems. ITSD estimates the project would take 6,074 hours at a contract rate of \$75 per hour for a total cost to the state of \$455,544. 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 3 additional IT Specialists to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$455,544) to hiring additional FTE IT Specialist (roughly \$240,000 per year).

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. For purposes of this fiscal note, Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight notes this proposal has a loan repayment provision for participants who fail to comply with the program requirements. Oversight is unsure how long the loan repayment period would be, but notes the current interest rate for Direct Subsidized Undergraduate loan is 5.05% for

ASSUMPTION (continued)

2018-2019. Oversight will show a range of impact of \$0 (no loan repayments) to an unknown revenue from loan repayments for participants who fail to comply. Oversight assumes an increase in revenue from the loan repayment provisions could offset the cost to General Revenue in future years.

Oversight notes DHE indicated they will use existing personnel funding to administer the program except for the loan repayment provisions. Oversight is uncertain if using existing personnel funding would result in a reduction of other services currently provided by DHE. Therefore, Oversight will show a range of impact for personnel funding of \$0 (no appropriation) to could exceed the 2 FTE as estimated by DHE as appropriated by the State.

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".

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.

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

ASSUMPTION (continued)

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</u> - DHE - loan program external audit	\$0	\$0 or (\$50,000)	\$0 or (\$50,000)
<u>Cost</u> - DHE - administration costs			
Personal Service	\$0 or (Could exceed \$52,530)	\$0 or (Could exceed \$63,666)	\$0 or (Could exceed \$64,303)
Fringe Benefits	\$0 or (Could exceed \$37,026)	\$0 or (Could exceed \$44,623)	\$0 or (Could exceed \$44,817)
Equipment & Expense	\$0 or (Could exceed \$19,742)	\$0 or (Could exceed \$4,734)	\$0 or (Could exceed \$4,853)
<u>Total Cost</u>	\$109,298	\$113,023	\$113,973
FTE Change - DHE	0 or Could exceed 2 FTE	0 or Could exceed 2 FTE	0 or Could exceed 2 FTE
<u>Cost</u> - DHE - ITSD costs (ranged from contracting out programming (\$455,544) to hiring additional FTE IT Specialists)	\$0 or (\$455,544) or (\$199,895)	\$0 or (\$241,895)	\$0 or (\$243,936)
FTE Change - ITSD	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
<u>Transfer Out</u> - to Fast-Track Workforce Incentive Grant Fund	\$0 to (Could exceed \$23,965,700)	\$0 to (Could exceed \$24,445,014)	\$0 to (Could exceed \$24,933,915)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to (Could exceed \$24,530,542)	\$0 to (Could exceed \$24,849,932)	\$0 to (Could exceed \$25,341,824)
Estimated Net FTE Change for General Revenue	0 to Could exceed 5 FTE	0 to Could exceed 5 FTE	0 to Could exceed 5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
(continued)	(10 Mo.)		

**FAST-TRACK WORKFORCE
INCENTIVE GRANT FUND**

	\$0 to Could exceed	\$0 to Could exceed	\$0 to Could exceed
<u>Transfer In</u> - from General Revenue	\$23,965,700	\$24,445,014	\$24,933,915

<u>Revenue</u> - loan repayments for failure to comply	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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	\$0 to (Unknown, could exceed	\$0 to (Unknown, could exceed	\$0 to (Unknown, could exceed
<u>Cost</u> - Fast-Track Workforce Incentive Grants	<u>\$23,965,700)</u>	<u>\$24,445,014)</u>	<u>\$24,933,915)</u>

**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	FY 2021	FY 2022
	(10 Mo.)		

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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.

FISCAL DESCRIPTION (continued)

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 is 25 years old or has not been enrolled in an educational program for the prior two academic years. 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.

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 applying for renewed assistance 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

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



Kyle Rieman
Director
April 15, 2019

Ross Strobe
Assistant Director
April 15, 2019