

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3318-03
Bill No.: HCS for HB 2038
Subject: Department of Higher Education and Workforce Development; Department of Elementary and Secondary Education
Type: Original
Date: February 19, 2020

Bill Summary: This proposal establishes the "Workforce Diploma Program" within the Department of Elementary and Secondary Education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 or (Could exceed \$4,995,256 to \$14,854,031)	\$0 or (Could exceed \$5,000,042 to \$14,858,817)	\$0 or (Could exceed \$5,000,752 to \$14,859,527)
Total Estimated Net Effect on General Revenue	\$0 or (Could exceed \$4,995,256 to \$14,854,031)	\$0 or (Could exceed \$5,000,042 to \$14,858,817)	\$0 or (Could exceed \$5,000,752 to \$14,859,527)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Workforce Diploma Program Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfers in and distributions net zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume section 173.831 may require 1.0 FTE at a minimum at the supervisor level in order to publish the request for qualifications, review the applicants against the statutory requirements, collect data, run reports, and make payments.

As of 2017, there are 453,226 Missourians 21 years of age or older who have not received a high school diploma. It is estimated that approximately 1 percent (4,532) to 3 percent (13,597) of these individuals may participate in this program.

The Department estimates that approximately half of the individuals that would participate in the program may earn their high school diploma each year which would result in a cost between \$2,266,000 (2,266 students earn a diploma) and \$6,799,000 (6,799 students earn a diploma) per year.

The Department also estimates that each student participating in the program would earn at least one full unit of high school credit each year resulting in an additional amount of \$2,266,000 (4,532 students earn at least one full unit of high school credit) and \$6,799,000 (13,597 students earn at least one full unit of high school credit) per year.

If 10 percent of graduates also earned an industry recognized credential at an average of \$500 the Department estimates an additional cost of \$113,300 (2,266 x 10% x \$500) to \$339,950 (6,799 x 10% x \$500).

If 50 percent of graduates also earned an employability skills certificate, the Department estimates an additional cost of \$283,250 (2,266 x 50% x \$200) to \$849,875 (6,799 x 50% x \$250).

\$2,266,000 - \$6,799,000	for high school diploma achievements
\$283,250 - \$849,875	for employability skills certificate achievements
\$113,300 - \$339,950	for industry recognized credential achievements
<u>\$2,266,000 - \$6,799,000</u>	<u>for ½ unit of high school credit achievements</u>
\$4,928,550 - \$14,787,325	

Because this provision is subject to appropriation, the Department will show a range of \$0 (no money appropriated for the program) to \$14,787,325.

ASSUMPTION (continued)

Officials from the **Department of Higher Education and Workforce Development** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal, officials from the **University of Missouri System** assume the proposal as written will have no fiscal impact on their organization.

In response to a similar proposal, officials from **State Technical College of Missouri** assume this proposal could have a negative fiscal impact.

Oversight assumes this proposal states that program providers may be reimbursed \$250 for each students completion of:

- a half unit of high school credit
- an employable skills certification
- or an industry-recognized credential requiring less than 50 hours

Additionally, program providers may be reimbursed \$500 for a student attaining an industry-recognized credential requiring 51 hours to 100 hours, or \$750 for a student attaining an industry-recognized credential requiring more than 100 hours, and \$1,000 for attaining an accredited high school diploma.

Oversight notes students who are eligible to participate in the program must be 21 years of age or older, a Missouri resident and have not yet earned a high school diploma. Based on information from the [U.S. Census Bureau](#), 9.52% of the Missouri population over the age of 25 have attained less than a high school diploma (398,377 / 4,182,787). Oversight cannot estimate the number of participants but will show a range of costs assuming different levels of participation in Table I below.

Table I: Estimated Costs for Workforce Diploma Program

Participation Rate (Assumed)	Number of Participants (398,377 * Participation Rate)	Cost to reimburse program providers at \$250 per milestone for one milestone	Cost to reimburse program providers at \$1,000 per milestone for one milestone
1%	3,983	\$ 995,750	\$ 3,983,000
5%	19,919	\$ 4,979,750	\$ 19,919,000
10%	39,838	\$ 9,959,500	\$ 39,838,000

ASSUMPTION (continued)

Oversight notes the numbers estimated above may represent the lower end since the data was limited to 25 and older which excludes those between the ages of 21 and 24 that may also be eligible. Oversight notes the estimates above could also be exceeded if an eligible student attains more than one half credit, certification or credential or the industry-recognized credential is reimbursed a higher rate as noted above.

Oversight will show a range of impact of \$0 (no appropriation) to an unknown cost to General Revenue for reimbursements to program providers that could exceed amounts estimated by DESE.

Oversight assumes DESE is required to issue a request for interested program providers before August 16, 2021. Program providers must be approved by October annually and students may start enrolling in November annually. Oversight assumes DESE could request and approve program providers anytime before August 16, 2021 and after the effective date of this proposal August 28, 2020. Therefore, Oversight will show cost beginning in FY 2021.

In response to a number of proposals which merely establish new state funds, the Office of the State Treasurer has indicated that the office would not request new resources. Therefore, **Oversight** assumes the proposal will have no fiscal impact on their organization.

Rule Promulgation

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 Secretary of State'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 \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Costs</u> - DESE - establish and administer the program	\$0 or	\$0 or	\$0 or
Personal Service	(\$32,560)	(\$39,463)	(\$39,857)
Fringe Benefits	(\$20,413)	(\$24,626)	(\$24,757)
Equipment and Expenses	<u>(\$13,733)</u>	<u>(\$7,403)</u>	<u>(\$7,588)</u>
<u>Total Costs</u>	(\$66,706)	(\$71,492)	(\$72,202)
FTE Change - DESE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
 <u>Transfer Out</u> - DESE - to Workforce Diploma Program Fund	 \$0 or (Could exceed \$4,928,550 to <u>\$14,787,325)</u>	 \$0 or (Could exceed \$4,928,550 to <u>\$14,787,325)</u>	 \$0 or (Could exceed \$4,928,550 to <u>\$14,787,325)</u>
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 \$0 or (Could exceed \$4,995,256 to <u>\$14,854,031)</u>	 \$0 or (Could exceed \$5,000,042 to <u>\$14,858,817)</u>	 \$0 or (Could exceed \$5,000,752 to <u>\$14,859,527)</u>
 Estimated Net FTE Change for the General Revenue Fund	 0 or 1 FTE	 0 or 1 FTE	 0 or 1 FTE

FISCAL IMPACT - State Government
 Continued

FY 2021
 (10 Mo.)

FY 2022

FY 2023

**WORKFORCE DIPLOMA
 PROGRAM FUND**

	\$0 or Could exceed	\$0 or Could exceed	\$0 or Could exceed
<u>Transfer In</u> - from General Revenue	\$4,928,550 to \$14,787,325	\$4,928,550 to \$14,787,325	\$4,928,550 to \$14,787,325

Transfer In - grants, gifts, donations or
 bequests

\$0 or Unknown \$0 or Unknown \$0 or Unknown

	\$0 or (Could exceed	\$0 or (Could exceed	\$0 or (Could exceed
<u>Costs</u> - distributions to program providers for qualifying student milestones	\$4,928,550 to \$14,787,325)	\$4,928,550 to \$14,787,325)	\$4,928,550 to \$14,787,325)

**WORKFORCE DIPLOMA
 PROGRAM FUND**

\$0

\$0

\$0

FISCAL IMPACT - Local Government

FY 2021
 (10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes the Workforce Diploma Program. Before August 16, 2021, and annually thereafter, the Department of Elementary and Secondary Education must submit a request for interested program providers for the program. An approved program provider must meet a list of qualifications, including but not limited to being an accredited high school diploma-granting

FISCAL DESCRIPTION (continued)

entity and having a minimum of two years experience providing adult dropout recovery services.

Every year, the Department must announce the approved programs before October 16th. The approved program providers shall begin enrolling students starting before November 15th of each year. The Department shall pay approved program providers for the completion of milestones by each student: \$250 for the completion of each half unit of high school credit, \$250 for attaining an employability skills certification, \$250 for attaining an industry-recognized credential requiring no more than 50 hours of training, \$500 for attaining an industry-recognized credential requiring at least 51 but no more than 100 hours of training, \$750 for attaining an industry-recognized credential requiring more than 100 hours of training, and \$1,000 for attaining an accredited high school diploma.

No approved program provider shall receive funding if that provider receives federal or state funding or private tuition for the student. The Department must provide a written update to approved program providers by the last calendar day of each month.

Before July 16th of each year, each provider must report certain metrics, specified in this section, to the Department. Upon the second fiscal year of the program, the Department must review the metrics for each program provider and determine whether each provider is meeting the minimum performance standards. If a program provider does not meet the minimum standards for two consecutive years, that provider will be removed from the approved provider list.

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 and Workforce Development
Office of the Secretary of State
Joint Committee on Administrative Rules

FISCAL DESCRIPTION (continued)

University of Missouri System
State Technical College of Missouri



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February 19, 2020

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