

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1555H.02P
Bill No.: Perfected HCS for HB 733
Subject: Higher Education and Workforce Development, Department of; Elementary and Secondary Education, Department of
Type: Original
Date: March 25, 2021

Bill Summary: This proposal establishes Workforce Development within the Department of Higher Education and Workforce Development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 to (Unknown Could exceed \$6,023,309 to \$15,882,084)	\$0 to (Unknown Could exceed \$5,027,262 to \$14,886,037)	\$0 to (Unknown Could exceed \$5,027,992 to \$14,886,767)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown Could exceed \$6,023,309 to \$15,882,084)	\$0 to (Unknown Could exceed \$5,027,262 to \$14,886,037)	\$0 to (Unknown Could exceed \$5,027,992 to \$14,886,767)

*Oversight notes the Workforce Diploma Program is the greater part of the fiscal impact and is subject to appropriation; therefore the "\$0" above represents the scenario of the program not receiving an appropriation. The fiscal impact of the program (if appropriated) ranges from 1% participation (\$4,998,309) to 3% participation (\$14,857,084) in FY 2022, as estimated by DESE. Actual participation in the program could be higher ("Could exceed").

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Workforce Diploma Program Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfers and distributions net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue – Department of Elementary and Secondary Education	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 160.2700 Adult High Schools - House Amendment 2

Officials from the **Department of Elementary and Secondary Education** and the **Department of Higher Education and Workforce Development** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal, Perfected HB 151 (2021), officials from the **Department of Health and Senior Services** assumed the provision would have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this provision.

Section 161.214 School Innovation Waiver - House Amendment 2

Officials from the **Department of Elementary and Secondary Education** and **Department of Higher Education and Workforce Development** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes DESE's FY 2022 Budget Book includes a \$1,000,000 Governor's Recommendation from General Revenue to "support school innovation teams in implementing their waivers approved by the State Board of Education".

Oversight assumes there could be a cost to implement this program. School districts may have costs related to improving student readiness and job training, increasing teacher compensation, or improving teacher recruitment and development. Oversight will show a range of impact of \$0 (no school districts participate or no additional cost) to an unknown cost to implement the waiver. Oversight assumes the net impact on school districts would be \$0 if distributions cover all costs or negative net impact if implementation costs exceed state distributions.

Oversight will show a range of impact to General Revenue of \$0 (no additional cost or not appropriated) to an unknown cost up to \$1,000,000 for FY 22 and an unknown cost in the remaining years to support school innovation teams.

Section 170.029 Career and Technical Education - House Amendment 3

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate that approximately 10 workgroups would be needed at an average cost of \$7,500 per workgroup

(\$75,000 in total). This cost will be spread out over multiple years as it will take some time to update the standards for all areas. Therefore, the Department will show the impact over a three year period with a range of \$0 - \$25,000 per year as the workgroups are on an as needed basis.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DESE.

In response to a similar proposal, HB 896 (2021), officials from the **High Point R-III School District** and the **Springfield Public Schools** each assumed the proposal would not fiscally impact their schools.

In response to a similar proposal, HB 896 (2021), officials from the **Lee's Summit R-VII Schools** stated the cost is minimal and would amount to the cost of the ACT exam for students.

Oversight assumes school districts will not be materially impacted by this proposal.

Section 173.381 Workforce Diploma Program

Officials from **Department of Elementary and Secondary Education (DESE)** assume this 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 x \$1,000) 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 ten percent (10%) 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 (50%) 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).

Total Program Costs:

\$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
\$2,266,000 - \$6,799,000 for ½ unit of high school credit achievements
\$4,928,550 - \$14,787,825

Because this provision is subject to appropriation, the Department will show a range of \$0 (no money appropriated for the program) to \$14,857,084 starting in FY22.

Officials from the **Department of Higher Education and Workforce Development** and the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to the previous version, officials from the **University of Missouri System, Missouri State University, State Technical College of Missouri, Northwest Missouri State University, University of Central Missouri** and **St. Charles Community College** each assumed the proposal would have no fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these entities.

Oversight assumes this proposal states that program providers may be reimbursed \$250 for each student's 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 on Educational Attainment from the [U.S. Census Bureau](#), 9.3% of the Missouri population over the age of 25 have attained less than a high school diploma (391,815 / 4,206,162). 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 (391,815 * 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%	3,918	\$ 979,500	\$ 3,918,000
5%	19,591	\$ 4,897,750	\$ 19,591,000
10%	39,182	\$ 9,795,500	\$ 39,182,000

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 (not appropriated) to amounts that could exceed the cost estimated by DESE as a transfer from General Revenue to the Workforce Diploma Program Fund. In addition, Oversight assumes the Workforce Diploma Program can receive gifts and bequests in addition to general revenue dollars.

Oversight will show an unknown cost to the Workforce Diploma Program Fund for reimbursements to program providers that could exceed amounts estimated by DESE. Oversight assumes funds will be used within the year they were received.

Oversight assumes DESE is required to issue a request for interested program providers before August 16, 2022. 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 any time before August of 2022 and after the effective date of this proposal August 28, 2021. Therefore, Oversight will show cost beginning in FY 2022.

Oversight notes Ohio's 22+ High School Diploma Program listed a FY 2021 estimate of \$6.8 million and \$6.3 million for "introduced" in FY 2022 and FY 2023 (biennium budget). Oversight notes Ohio's program allows for providers to "receive up to \$5,000 annually for each individual enrolled in the program depending on the extent of the individual's successful completion of high school graduation requirements." Oversight notes this proposal limits payments to the providers "an average cost per graduate" of \$7,000 or less.

Rule Promulgation

In response to the previous version, officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the previous version, officials from the **Office of the Secretary of State** notes 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, they 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 their office can sustain with their core budget. Therefore, they 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Transfer Out - DESE HA 2- to support school districts implementing School Innovation Waivers §161.214 - pg. 2</u>	\$0 or (Unknown, Up to \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs – DESE workgroups HA 3 – spread over 3 years § 170.029 - pgs. 3-4</u>	\$0 to (\$25,000)	\$0 to (\$25,000)	\$0 to (\$25,000)
<u>Costs - DESE - establish and administer the Workforce Diploma Program - §173.831 - pg. 4</u>	\$0 or ...	\$0 or ...	\$0 or ...
Personal Service	(\$33,540)	(\$40,650)	(\$41,027)
Fringe Benefits	(\$21,270)	(\$25,659)	(\$25,797)
Equipment and Expense	(\$14,949)	(\$7,403)	(\$7,588)
<u>Total Costs</u>	(\$69,759)	(\$73,712)	(\$74,442)
FTE Change - DESE	1 FTE	1 FTE	1 FTE
<u>Transfer Out - DESE - to the Workforce Diploma Program Fund - §173.831 - pg. 5</u>	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to (Unknown Could exceed \$6,023,309 to \$15,882,084)	\$0 to (Unknown Could exceed \$5,027,262 to \$14,886,037)	\$0 to (Unknown Could exceed \$5,027,992 to \$14,886,767)
Estimated Net FTE Change for the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – State Government</u> Continued	FY 2022 (10 Mo.)	FY 2023	FY 2024
WORKFORCE DIPLOMA PROGRAM FUND			
<u>Transfer In</u> - from General Revenue §173.831 - pg. 5	\$0 to Unknown Could exceed \$4,928,550 to \$14,787,325	\$0 to Unknown Could exceed \$4,928,550 to \$14,787,325	\$0 to Unknown Could exceed \$4,928,550 to \$14,787,325
<u>Income</u> - from gifts and bequests §173.831 - pg.6	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - DESE - reimbursements to program providers for qualifying student milestones §173.831 - pg.6	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)	\$0 to (Unknown Could exceed \$4,928,550 to \$14,787,325)
ESTIMATED NET EFFECT ON THE WORKFORCE DIPLOMA PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Costs</u> - to implement School Innovation Waivers (improve student readiness and job training, increase teacher compensation, improve teacher recruitment and development) §161.214 - pg. 2	\$0 or (Unknown, Could exceed \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer In</u> - State GR transfer to support school districts implementing School Innovation Waivers §161.214 - pg. 2	\$0 or Unknown, Up to \$1,000,000	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Section 160.2700 to 160.2725 (HA2) - These sections make changes to adult high school provisions.

Section 161.214 - Under this act, any school intervention team, which shall mean a group of persons representing certain schools as set forth in the act, may submit a state innovation waiver plan to the State Board of Education for certain purposes, including improving student readiness for employment, higher education, vocational training, technical training, or any other form of career and job training, increasing the compensation of teachers, or improving the recruitment, retention, training, preparation, or professional development of teachers.

A school innovation waiver shall mean a waiver granted by the State Board to certain schools, set forth in the act, in which such schools are exempt from a specific requirement imposed by current law, or any regulations promulgated by the State Board or the Department of Elementary and Secondary Education. Any school innovation waiver granted to a school district or group of school districts shall be applicable to every elementary and secondary school within the school district or group of school districts unless the plan specifically provides otherwise.

Any plan for a school innovation waiver shall include certain information, including the specific provision of law for which a waiver is being requested, and an explanation for why such provision of law inhibits the ability of the school or school district to accomplish the goal stated

in the plan. The plan shall also demonstrate that the intent of the law can be addressed in a more effective, efficient, or economical manner and that the waiver or modification is necessary to implement the plan.

In evaluating a plan submitted by a school innovation team, the State Board shall consider whether the plan meets certain criteria set forth in the act. The State Board may propose modifications to the plan in cooperation with the school innovation team.

Any waiver granted under this act shall be effective for no longer than three school years, but school innovation waivers may be renewed. No more than one school innovation waiver shall be in effect with respect to any one elementary or secondary school at one time.

The State Board shall not authorize the waiver of any statutory requirements relating to teacher certification, teacher tenure, or any requirement imposed by federal law.

Section 170.029 (HA3) - This provision requires the State Board of Education, in consultation with the Career and Technical Advisory Council, to develop a statewide plan establishing the minimum requirements for a Career and Technical Education (CTE) Certificate. The statewide plan will match workforce needs with appropriate educational resources. Each local school district shall determine the curriculum, programs of study, and course offerings based on the requirements of the statewide plan. The Department of Elementary and Secondary Education is required to convene work-groups, as needed, from each CTE program area to develop written model curriculum frameworks that may be used by districts.

Section 173.831 - This provision establishes the "Workforce Diploma Program". Before August 16, 2022, and annually thereafter, the Department of Elementary and Secondary Education (DESE) 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 entity and having a minimum of two years' experience providing adult dropout recovery services.

Every year, DESE must announce the approved programs before October 16th. The approved program providers shall begin enrolling students starting before November 15th of each year. DESE shall pay, upon appropriation, the approved program providers for the specified milestones provided to 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. DESE 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 DESE. The bill requires each approved provider to conduct a survey of each individual who graduated from the approved program and submit the results to DESE before September 16th of each year beginning the year after the individual graduates and the next four consecutive years.

The survey must include the individual's employment status, hourly wages, access to employer-sponsored health care, and any postsecondary enrollment the individual has completed including a postsecondary certificate or degree program.

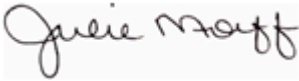
Upon the end of the second fiscal year of the program, DESE must review the metrics for each program provider and determine whether each provider is meeting the minimum performance standards. If a program provider does not meet the minimum standards for two consecutive years, that provider will be removed from the approved provider list.

This bill also creates a "Workforce Diploma Program Fund".

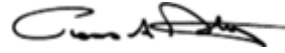
SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the State Treasurer
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Office of the Secretary of State
Joint Committee on Administrative Rules
University of Missouri System
State Technical College of Missouri
University of Central Missouri
Northwest Missouri State University
Missouri State University
St. Charles Community College
High Point R-III School District
Springfield Public Schools
Lee's Summit R-VIII Schools

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A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff
Director
March 25, 2021

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe
Assistant Director
March 25, 2021