

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2440H.03C
Bill No.: HCS for HB Nos. 1141 & 1067
Subject: Education, Higher; Higher Education and Workforce Development, Department of
Type: Original
Date: March 2, 2021

Bill Summary: This proposal protects certain students whose grade average is adversely affected by COVID-19.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	(\$2,050,736)	(\$2,050,736)	\$0
Total Estimated Net Effect on General Revenue	(\$2,050,736)	(\$2,050,736)	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Lottery Proceeds*	(\$2,050,736)	(\$2,050,736)	\$0
A+ Schools	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,050,736)	(\$2,050,736)	\$0

*The A+ program is subject to appropriations.

Numbers within parentheses: () indicate costs or losses.

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
Total Estimated Net Effect on FTE	0	0	0

- ☒ 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	\$4,101,472	\$4,101,472	\$0

FISCAL ANALYSIS

ASSUMPTION

§160.545 – Grade averages adversely affected by COVID-19

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state paragraph 3 of subsection 8 of section 160.545 in the proposed legislation, which deals with eligibility for the A+ scholarship program, directs the DHEWD to use the “highest available” high school grade point average for 2020 and 2021 high school seniors to meet the 2.5 GPA requirement to be eligible for the scholarship. In addition, the bill waives the regulatory requirement that students demonstrate college readiness by removing the requirement that they meet the established performance level on mathematics related end-of-course exams or the ACT alternative. The bill indicates this is intended to address academic problems students may have experienced as a result of the COVID-19 pandemic.

The current requirement is that a student must graduate from an A+ high school with a grade 9 through 12 cumulative GPA of at least 2.5 on a 4.0 scale (or its equivalent in another system). The department does not collect high school GPA data but instead relies on designated school districts to determine if the requirement is met. Since the DHEWD does not collect the GPA information, it is not possible to accurately determine the number of students that may be impacted by this change alone.

The bill also does not define highest available high school GPA. Consequently, it is not clear if this revised GPA requirement could be met through the student’s highest semester GPA, their highest cumulative GPA at any time during their high school enrollment, or another, different approach to calculating a GPA. As a result, it is not clear if the DHEWD could accurately determine the cost even if it possessed the GPA data currently used to make this determination.

With regard to the end-of-course exam requirement, data is not available regarding how many students are ineligible for the scholarship due to failure to achieve a score of proficient or advanced on any mathematics related end-of-course exam (Algebra I, Geometry, or Algebra II) or score at least a 15 on the ACT math subtest. Consequently, it is not possible to accurately project the impact of this individual component.

It is assumed very few, if any, of the 2020 high school graduates would take advantage of the GPA revision, if passed. By the time this legislation becomes effective, those individuals that were considered ineligible due only to failing to meet the GPA requirement would have moved on to other pursuits (study at a non-A+ participating institution, entered the workforce, etc.) and would be unlikely to enroll in a community college or career center.

In version 3 of HB 1141, language that is included states, “Any rule establishing a requirement that a student obtain a certain algebra end-of-course examination score or other applicable standardized test score, as determined by the department, shall not apply to a high school senior graduating in the 2020-21 school year;.” Given the bill sponsors interest in end-of-course examination, the DHEWD will note that it provided similar accommodations, although less expansive, in the spring of 2020 in response to the move to remote instruction due to the pandemic. Those accommodations gave high schools greater flexibility in what cumulative GPA could be used to meet that requirement and waived the end-of-course examination requirement for 2020 seniors. For further background, the cost of the program increased by approximately 18 percent over the previous year, resulting in the need for a supplemental appropriation for FY 2021.

Using the above information as an example of what the legislation could cost, but not knowing definitively, it is important to understand the because of a number of other factors influencing the cost of the program, it is necessary to adjust the FY 2021 increase in order to limit the projection for FY 2022 to the proposed legislative changes. Based on the change in cost between FY 2019 and FY 2020, which was ten percent, it is assumed that the impact of the DHEWD accommodations was approximately eight percent (18% - 10%). The present projected cost of the program for FY 2021 is \$51,268,405.

Again, using the previous information above, the legislation could result in an eight percent increase in program cost and would result in an increase of \$4,101,472 for FY 2022, resulting in a total program cost for FY 2022 of \$55,369,877. Further, because the proposal is limited to 2020 and 2021 seniors, it is expected that program growth will resume a more typically pattern and there would be no additional impact from this proposal in FY 2023.

Oversight notes the following appropriations and expenditures for the A+ program:

		FY 2022	FY 2021	FY 2020	FY 2019		
		3.065	3.060	3.060	3.065		
Fund #	Fund Name	(Introduced)					
0101	General Revenue	\$ 30,653,878	\$ 17,453,878	\$ 17,453,878	\$ 15,953,878	42%	
0291	Lottery Proceeds Fund	\$ 21,659,448	\$ 21,659,448	\$ 21,659,448	\$ 21,659,448	53%	
0925	State Institutions Gift	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	5%	
		\$ 54,313,326	\$ 41,113,326	\$ 41,113,326	\$ 39,613,326		
	Actual Expenditures	N.A.	N.A.	\$ 40,842,927	\$ 37,784,927		

Oversight assumes the A+ Scholarship Fund may need additional appropriations because additional students could qualify for scholarships as a result of this proposal. For fiscal note purposes only, Oversight will allocate the potential increase of \$4,101,472 provided by DHEWD between the General Revenue Fund and the Lottery Proceeds Fund, 50%/50% to each fund.

It is also noted that the A+ program is subject to appropriation; therefore, the annual appropriation to the A+ program may or may not increase due to this change.

Officials from the **University of Central Missouri (UCM)** have determined the potential for increased revenue as the proposal may allow for more students to attend UCM. The amount is indeterminate due to varying factors.

Oversight assumes the response provided by the DHEWD will account for any growth that may accrue to UCM.

Officials from the **Department of Elementary and Secondary Education** and **Missouri State University** each assume the proposal will 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 agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

This proposal has an emergency clause.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Costs – DHEWD</u> (\$160.545) – potential additional appropriations for A+ Scholarships	<u>(\$2,050,736)</u>	<u>(\$2,050,736)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$2,050,736)</u>	<u>(\$2,050,736)</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
LOTTERY PROCEEDS FUND (0291)			
<u>Costs – DHEWD</u> (§160.545) – potential additional appropriations for A+ Scholarships	<u>(\$2,050,736)</u>	<u>(\$2,050,736)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>(\$2,050,736)</u>	<u>(\$2,050,736)</u>	<u>\$0</u>
A+ SCHOOLS FUND (0955)			
<u>Income – DHEWD</u> (§160.545) – potential additional appropriations for A+ Scholarships	\$4,101,472	\$4,101,472	\$0
<u>Transfer-Out – to community colleges for A+ students</u>	<u>(\$4,101,472)</u>	<u>(\$4,101,472)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON A+ SCHOOLS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
LOCAL GOVERNMENTS – COMMUNITY COLLEGES			
<u>Income – potential increased tuition payments (\$160.545)</u>	<u>\$4,101,472</u>	<u>\$4,101,472</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS – COMMUNITY COLLEGES	<u>\$4,101,472</u>	<u>\$4,101,472</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

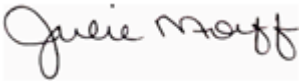
This bill requires the Department of Elementary and Secondary education to make rules regarding the minimal grade average (GPA) requirement to qualify for the A+ grant award that will only consider grade averages that do not have a negative change to a student's GPA from 2019-20 or 2020-21 due to the impact of "Covid19". Any rule establishing a requirement that a student obtain a certain algebra end-of-course examination score or other applicable standardized test score, as determined by the department, shall not apply to a high school senior graduating in the 2020-21 school year.

This bill includes an emergency clause.

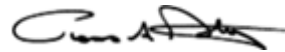
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education and Workforce Development
Department of Elementary and Secondary Education
Missouri State University
University of Central Missouri



Julie Morff
Director
March 2, 2021



Ross Strobe
Assistant Director
March 2, 2021