

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0765H.011
 Bill No.: HB 497
 Subject: Department of Higher Education and Workforce Development; Teachers;
 Department of Elementary and Secondary Education
 Type: Original
 Date: February 17, 2023

Bill Summary: This proposal modifies the Urban Flight and Rural Needs Scholarship program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2031)
General Revenue*	\$0	\$0 or (\$2,912,800)	\$0 or Up to (\$6,116,880)	\$0 or Up to (\$8,738,400)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (\$2,912,800)	\$0 or Up to (\$6,116,880)	\$0 or Up to (\$8,738,400)

*Oversight notes the Urban Flight and Rural Needs Scholarship Program is currently not appropriated. Therefore, Oversight has reflected the cost of the changes as a new program. As the new Teacher Recruitment and Retention State Scholarship Program is still subject to appropriation, Oversight has reflected the cost of the program as “\$0 or”.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2031)
*Teacher Recruitment and Retention State Scholarship Program Fund	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*Oversight assumes if 5% of scholarships funds were converted to loans, increased revenues could potentially meet the \$250,000 threshold in FY 2026.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2031)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2031)
Total Estimated Net Effect on FTE	0	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 2024	FY 2025	FY 2026	Fully Implemented (FY 2031)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the average cost of tuition in Missouri was \$14,564 in the 2020-2021 academic year. Based on this average, here are the following estimates based on the (maximum) number of scholarships.

The maximum number of scholarships made available under this section shall be as follows:

For academic years ending before July 1, 2024, one hundred: \$1,456,400 (100 X \$14,564)

- For the 2024-25 academic year two hundred: \$2,912,800
- For the 2025-26 academic year two hundred twenty: \$3,204,080
- For the 2026-27 academic year two hundred forty: \$3,495,360
- For the 2027-28 academic year two hundred sixty: \$3,786,640
- For the 2028-29 academic year two hundred eighty: \$4,077,920
- For the 2029-30 academic year and all subsequent years, three hundred: \$4,369,200

DESE based the estimate on the current average tuition, however, if costs increase, the total cost of the scholarship program may also increase. Scholarships will only be awarded based upon appropriation. DESE also expects administration duties for the scholarship program to increase with the increased number of available scholarships. At this time DESE is prepared to absorb those costs. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

Officials from the **Department of Higher Education and Workforce Development** 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 this agency.

Oversight assumes the ramp-up schedule for proposed scholarships is as follows:

- FY 2025 - 200 (first year scholarships)
- FY 2026 - 200 (second year scholarships) + 220 (new first year scholarships)
- FY 2027 - 220 (second year scholarships) + 240 (new first year scholarships)
- FY 2028 - 240 (second year scholarships) + 260 (new first year scholarships)
- FY 2029 - 260 (second year scholarships) + 280 (new first year scholarships)
- FY 2030 - 280 (second year scholarships) + 300 (new first year scholarships)
- FY 2031 - 300 (second year scholarships) + 300 (new first year scholarships)

Oversight notes the Urban Flight and Rural Needs Scholarship program was created by SB 980 in 2006. Upon further inquiry, DESE indicated this program has not received an appropriation in the last five years. For purposes of this fiscal note, Oversight assumes the cost of this program

would be the maximum allowed number of scholarships (assuming DESE’s average cost of tuition). See the chart below.

Academic Year	Proposed Scholarships	Proposed Law Cost
2024-25	200	\$2,912,800
2025-26	420	\$6,116,880
2026-27	460	\$6,699,440
2027-28	500	\$7,282,000
2028-29	540	\$7,864,560
2029-30	580	\$8,447,120
2030-31	600	\$8,738,400

Oversight will show a range of impact of \$0 (no scholarships issued or no funds appropriated) up to the cost for the maximum number of scholarships allowed.

<u>FISCAL IMPACT</u> – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2031)
GENERAL REVENUE				
<u>Costs</u> - DESE - §173.232 – transfer out to the Teacher Recruitment and Retention State Scholarship Program Fund increase in maximum allowed scholarships	\$0	\$0 or <u>(\$2,912,800)</u>	\$0 or Up to <u>(\$6,116,880)</u>	\$0 or Up to <u>(\$8,738,400)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or <u>(\$2,912,800)</u>	\$0 or Up to <u>(\$6,116,880)</u>	\$0 or Up to <u>(\$8,738,400)</u>

TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND				
<u>Transfer In – from General Revenue</u>	\$0	\$0 or \$2,912,800	\$0 or Up to \$6,116,880	\$0 or Up to \$8,738,400
<u>Costs – scholarships awarded</u>	\$0	\$0 or (\$2,912,800)	\$0 or Up to (\$6,116,880)	\$0 or Up to (\$8,738,400)
<u>Income - Principal and Interest payments rec'd – from scholarships converted to loans</u>	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income – sale proceeds – from scholarships converted to loans & sold to MOHELA</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT</u> – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2031)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

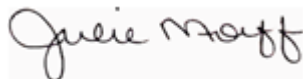
FISCAL DESCRIPTION

The proposed legislation modifies the urban flight and rural needs scholarship program.

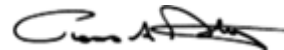
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
 Department of Higher Education and Workforce Development



Julie Morff
 Director
 February 17, 2023



Ross Strobe
 Assistant Director
 February 17, 2023