

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5494-01
Bill No.: HB 2036
Subject: Education, Elementary and Secondary; Elementary and Secondary Education;
 Teachers.
Type: Original
Date: April 3, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$522,000)	(\$1,075,320)	(\$1,661,369)
Total Estimated Net Effect on General Revenue Fund	(\$522,000)	(\$1,075,320)	(\$1,661,369)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	(\$174,000)	(\$358,440)	(\$553,790)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would establish the "Urban Flight Scholarship Program". DESE would make available to eligible students up to 100, four-year urban flight scholarships in an amount that encompasses the total cost of eligible students' tuition and fees at a four-year college or university located in Missouri. Seventy-five percent of such amount would be paid by funds appropriated to DESE and twenty-five percent of such amount would be paid by the local school district in which the student agrees to teach.

DESE provided the following calculation of program costs, and stated that costs would grow significantly until year 4 when the costs should begin to level out. DESE calculations assume all 100 scholarships are appropriated each year and that each recipient continues through the program until the fourth year, meeting all requirements for eligibility. We have chosen the University of Missouri - Columbia to represent an average of tuition and fees for Missouri's four-year colleges and universities; although it should be noted that costs can greatly exceed or be somewhat below this level. We further assume a 3% increase in tuition and fees in subsequent years.

ASSUMPTION (continued)

Program year	Number of Scholarships	Estimated Tuition and Fees	Total Scholarship Amounts	25% Local Cost	75% State Cost
1	100	\$ 6,960	\$ 696,000	\$ 174,000	\$ 522,000
2	200	\$ 7,169	\$ 1,433,760	\$ 358,440	\$ 1,075,320
3	300	\$ 7,384	\$ 2,215,159	\$ 553,790	\$ 1,661,369
4	400	\$ 7,605	\$ 3,042,152	\$ 760,538	\$ 2,281,614

In response to a similar proposal, officials from **Lincoln University** stated that, while it is difficult to predict the number of students who might enroll who have the scholarship, there may be some fiscal impact for their organization.

Officials from **Missouri State University** and **Truman State University** assumed that a similar proposal would have no fiscal impact on their organizations.

Officials from the **University of Missouri** assumed that their organization would incur no additional costs as a result of a similar proposal.

Officials from **St. Louis Community College** assumed that a similar proposal would have no negative fiscal impact on their organization.

Officials from **Metropolitan Community College** assume that a similar proposal would likely have a positive fiscal impact on their organization although not a significant impact.

Officials from the **Office of the State Treasurer** assume the proposal would have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State** did not respond to our request for information.

Oversight has included the estimated state cost in the General Revenue Fund. Oversight assumes that any repayments by recipients who fail to complete their required teaching obligation would be received after FY 2009.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Cost - Department of Elementary and Secondary Education</u>			
Scholarships	<u>(\$522,000)</u>	<u>(\$1,075,320)</u>	<u>(\$1,661,369)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$522,000)</u>	<u>(\$1,075,320)</u>	<u>(\$1,661,369)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
LOCAL GOVERNMENT			
<u>Cost - School Districts</u>			
Scholarships	<u>(\$174,000)</u>	<u>(\$358,440)</u>	<u>(\$553,790)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$174,000)</u>	<u>(\$358,440)</u>	<u>(\$553,790)</u>
<u>FISCAL IMPACT - Small Business</u>			

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

DESCRIPTION

This proposal would create the Urban Flight Scholarship Program, to be administered by the Department of Elementary and Secondary Education. The program would provide scholarships for eligible students who enter a teacher education program and make a commitment to teach as a condition of receiving such scholarship.

Subject to appropriation, each year the Department of Elementary and Secondary Education would make available up to one hundred four-year scholarships. The maximum scholarship amount would be one hundred percent of the total cost of the eligible student's tuition and fees at a four-year college or university located in Missouri. Seventy-five percent of the total amount would be paid by funds appropriated to the department, and twenty-five percent of the amount would be paid by the local school district in which the student agrees to teach.

The scholarships provided in this section would be available to otherwise eligible students who are currently enrolled in a community college and make a commitment to pursue a teacher education program approved by the Department of Elementary and Secondary Education and offered by a four-year college or university located in Missouri; or have completed their baccalaureate degree and agree to enter a teacher education program and make a commitment to pursue a teacher education program approved by the department and offered by a four-year college or university located in Missouri. An eligible student would be a United States citizen and a Missouri resident who attended a Missouri high school; has graduated from high school with a cumulative grade point average of at least two and one-half on a four-point scale or equivalent; makes a commitment to pursue a teacher education program approved by the Department of Elementary and Secondary Education and offered by a four-year college or university located in Missouri, and maintains a cumulative grade point average of at least two and one-half on a four-point scale or equivalent. If the number of applicants exceeds the number of scholarships or revenues available, the Department of Elementary and Secondary Education may consider the financial needs of the applicant.

Recipients would sign an agreement with the Department of Elementary and Secondary Education and a local school district in which the recipient agrees to teach in an urban or metropolitan Missouri public school, the population of which includes a higher than average "at-risk student population", as such term is defined by the Department of Elementary and Secondary Education, for two years for every one year the recipient received the urban flight scholarship.

DESCRIPTION (continued)

The recipient would be required to teach for a period of two years for every one year he or she received an urban flight scholarship; otherwise, the scholarship would be treated as a loan to the recipient. Interest at the rate of nine and one-half percent per year would be charged on the unpaid balance of the amount received from the date the eligible student ceases to teach until the amount received is paid back to the state and the local school district. In order to provide for the servicing of such loans, the department could sell such loans to the Higher Education Loan Authority of the State of Missouri.

For each year the student teaches, up to eight years, one-eighth of the amount received would be applied against the total amount received and not be subject to the repayment requirement. The department of elementary and secondary education could defer interest and principal payments under certain circumstances, including but limited to, the enrollment in a graduate program or service in any branch of the armed forces of the United States.

The proposal would create in the State Treasury a fund to be known as the "Urban Flight Scholarship Program Fund", which would consist of all moneys that may be appropriated to it by the General Assembly, and in addition may include any gifts, contributions, grants, or bequests received from federal, state, private, or other sources. The fund would be administered by the department of elementary and secondary education.

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

Office of the State Treasurer
Department of Elementary and Secondary Education
Lincoln University
Missouri State University
Truman State university
University of Missouri
St. Louis Community College
Metropolitan Community College

NOT RESPONDING

Office of the Secretary of State



Mickey Wilson, CPA
Director
April 3, 2006