

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0086-02  
Bill No.: SCS for HB 93  
Subject: Economic Development; Department of Economic Development; Education, Elementary and Secondary  
Type: Original  
Date: April 3, 2017

---

Bill Summary: This proposal modifies provisions relating to job training.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Community College*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Transfers in from General Revenue and expenses net to zero.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §160.2700 - §160.2725 Adult High School

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal requires the department to establish graduation requirements, certify the satisfaction of them, and award diplomas. We require .5 FTE Supervisor to manage the record keeping for these duties.

Diplomas will cost approximately \$12 each. We cannot estimate the number of students because it depends upon the number who choose to participate.

Many bills considered by the General Assembly include provisions allowing or requiring additional FTEs to implement the act. DESE is provided with core leased space to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for leased space for new FTEs for this fiscal note is a small amount and DESE does not expect that additional leased space would be required. However, DESE recognizes 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 current leased space. Therefore, DESE reserves the right to request funding for the cost of expanding FTE, including space, should the need arise based on a review of the bills signed by the Governor.

Officials at the **Department of Higher Education** assume there are two major state aid programs requiring students to enter into college the year after they graduate from high school that could be affected by this legislation: Bright Flight and A+. While, we cannot estimate an exact fiscal impact on these programs, we believe it would be minimal.

In response to similar legislation filed this year, SB 406, officials at **Butler County** and **Boone County** each assumed this would not fiscally impact their county.

Officials at **Missouri State University, Northwest Missouri State University, State Technical College of Missouri, University of Central Missouri** and the **University of Missouri** each assume there is no fiscal impact from this proposal to their respective institutions.

In response to similar legislation filed this year, SB 406, officials at **Metropolitan Community College** and **Missouri Western State University** each assumed there was no fiscal impact from this proposal to their respective institutions.

ASSUMPTION (continued)

**Oversight** notes this proposal would allow for the creation of four adult high schools. The adult high school would serve students who are 21 and older who need to get a diploma and job training, while the adult high school also provides child care services. The adult high schools would not be eligible for funding under the foundation formula or local funding intended for public schools.

**Oversight** notes that Missouri has 518 school districts that support 610 high schools. This proposal would allow for 4 additional high schools dedicated to students over 21.

This proposal creates a process by which a Missouri-based nonprofit organization can obtain a license to operate adult high schools. The licensee must commit at least \$2 million to create four adult high schools. Those adult high schools are restricted to St. Louis City, Butler County, Boone County, and Greene County. The licensee must form a partnership with a post-secondary education institution to help address the needs of job training.

**Oversight** notes this proposal would require DESE to grant a license to the Missouri-based nonprofit. According to this proposal, the bidding process is to follow the standard bidding procedures established by Office of Administration. Oversight assumes that DESE could handle the granting of the license with existing resources.

**Oversight** notes that DESE is to help the licensee establish procedures for students to obtain a high school diploma. Additionally, DESE is to award those diplomas upon successful completion of the coursework. Oversight notes that DESE already has procedures for obtaining a diploma and therefore should be able to handle these duties with existing resources. Should the number of students reach the level to justify additional FTE, then DESE could seek those FTE through the appropriation process.

**Oversight** notes that it is unclear if and when these adult high schools will be built. However, DESE must grant a license before January 1, 2018. A minimum requirement for the schools to be in operation is 21 months (approximately September of 2019, which is FY 2020). Additionally, students would need to complete their missing coursework in order to receive a diploma. Oversight will show an impact of \$0 (no schools built or students graduate) to less than \$100,000 for the cost of the diplomas starting in FY 2020.

**Oversight** notes that the licensee is to file an annual report with DESE which includes information on the adult high school meeting industry needs in the state. DESE in turn is to present an annual report to the Joint Committee on Education. Oversight assumes the collection and presentation of the required annual reports can be done by DESE using existing resources.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

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 SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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 request funding through the appropriation process.

§620.800 - §620.809 Mo Works Training Program

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this bill will make changes beginning August 28, 2017, to the financing structure of the various Missouri Works Training Programs. The proposal provides for direct General Revenue appropriations to be disbursed for training projects. B&P assumes that expenditures out of the existing training funds, especially those backed by withholding retentions, will decrease over a number of years. Instead, withholding revenues that would have otherwise been deposited in the designated training funds will now be deposited in General Revenue, offsetting the increased appropriations above.

This proposal should not directly impact Total State Revenues; however, going forward, funds will be deposited into General Revenue that might otherwise have been deposited into the designated training funds.

B&P notes that in FY 2016:

- \$8.5 million was spent from the Missouri Job Development Fund
- \$6.5 million was spent from the Community College Job Retention Training Program
- \$2.8 million was spent from the Community College New Jobs Training Program

ASSUMPTION (continued)

Officials at the **Office of the State Treasurer** assume there is no fiscal impact to their agency from this proposal.

Officials at the **Department of Economic Development, Department of Higher Education** and the **Department of Revenue** each assumed there was no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 10, officials at the **Metropolitan Community College** assumed the impact is unknown.

Officials at the **State Technical College of Missouri** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 10, officials at the **State Fair Community College**, and the **St. Louis Community College** each assumed there was no fiscal impact from this proposal to their respective institutions.

§620.800 Definitions

**Oversight** notes this portion of the proposal changes the definition of “new capital investment”. Oversight assumes this portion of the proposal would not have a fiscal impact.

§620.803

**Oversight** notes this portion of the proposal allows the DED to use some of their funding (not to exceed \$50,000) to contract out for advertising, marking or promotions. Oversight assumes since the agency is using their existing appropriation, there will not be a fiscal impact from this portion of the proposal.

§620.806 Mo Works Job Development Fund

Officials at the **Department of Economic Development (DED)** assume there is no fiscal impact from this proposal.

**Oversight** notes that according to DED’s website, “Missouri Works Training provides funds directly to companies based on the application and training plan.” According to DED’s budget submissions, the Missouri Works Job Development Training program had the following activity:

ASSUMPTION (continued)

	FY 2014	FY 2015	FY 2016	FY 2017 (planned)
Missouri workers trained	37,355	18,738	36,038	35,000
Number of businesses served	395	200	322	300
Average company award	\$37,974	\$30,000	\$39,000	\$41,000
Total Expenditure for program	\$14,840,437	\$4,238,721	\$12,802,438	\$14,039,985

**Oversight** will utilize DED’s response and assume the change in the program from this proposal will not have a fiscal impact.

§620.809

**Oversight** notes the Missouri Works Community College New Jobs Training Program Fund and the Community College Job Retention Training Fund provide assistance to eligible companies to train workers in newly created or retained jobs. These programs help offset the training costs associated with a new start-up or expanded company. The training is provided by community colleges. The Funds receive money from diverting a portion of the state employer withholding tax based on the payroll of the newly created or retained job. The money in the Funds is then used to reimburse the community college for the training they provided. Currently, statutes prohibit the General Assembly from transferring any General Revenue funding to these funds (§620.809.1 and §620.809.2).

**Oversight** notes a portion of this proposal would allow the General Assembly to disburse funds to DED from General Revenue to pay for the training. Subject to appropriation, this payment would be made to the community colleges upon commencement of the project. Currently they are paid after the training is complete.

**Oversight** will show the impact to General Revenue as \$0 (no money is appropriated) to Unknown. Oversight assumes the community colleges will spend the money upon receipt.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - DESE diplomas for adult graduates §160.2700 - §160.2725	\$0	\$0	\$0 or (Less than \$100,000)
<u>Transfer Out</u> - to Community Colleges for training	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<b>COMMUNITY COLLEGE FUNDS</b>			
<u>Transfer In</u> - from General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - training expenses	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COMMUNITY COLLEGE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses that join together as a consortium could qualify for these benefits.

FISCAL DESCRIPTION

This act requires the Department of Elementary and Secondary Education (DESE) to grant a license to a Missouri-based nonprofit organization before January 1, 2018, to establish and operate four adult high schools, as defined in the act, with one location in St. Louis City and one location each in Butler County, Greene County, and Boone County, or a county contiguous to

FISCAL DESCRIPTION (continued)

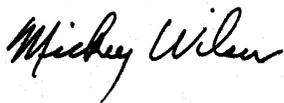
each of these counties.

This bill provides that financial assistance, through the Missouri Works Training Program, may be provided to an association of a majority of qualified companies organized to provide common training to the association members' employees.

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

Boone County  
Butler County  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Revenue  
Joint Committee on Administrative Rules  
Metropolitan Community College  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
Office of Administration  
    Division of Budget and Planning  
Office of the State Treasurer  
Office of the Secretary of State  
State Fair Community College  
State Technical College of Missouri  
St. Louis Community College  
University of Central Missouri  
University of Missouri



Mickey Wilson, CPA

Ross Strobe

L.R. No. 0086-02  
Bill No. SCS for HB 93  
Page 10 of 10  
April 3, 2017

Director  
April 3, 2017

Assistant Director  
April 3, 2017