

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4033-02
Bill No.: Truly Agreed To and Finally Passed SS for HB 1415
Subject: Economic Development; Department of Economic Development; Elementary and Secondary Education; Department of Elementary and Secondary Education; Higher Education
Type: Original
Date: June 28, 2018

Bill Summary: This proposal modifies provisions relating to workforce development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$36,252)	\$0	(Could Exceed \$129,100,000)
Total Estimated Net Effect on General Revenue	(\$36,252)	\$0	(Could exceed \$129,100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§160.572 ACT WorkKeys

Officials from the **Office of Administration - Budget and Planning** assume section 160.572 allows students to take the ACT WorkKeys assessment rather than the ACT assessment when there are state-funded or district-funded test administrations. Section 162.1115 allows schools districts to refer to industry-recognized certificates and credentials when developing career and technical education programs. Section 167.910 creates the "Career Readiness Course Task Force" to explore the potential of providing a career readiness course in public schools to students in the eighth or ninth grade. DESE is required to provide legal, research, clerical, and technical services as the task force requires. Section 168.024 allows teachers to count local business externships as contact hours of professional development. Section 170.028 requires the Career and Technical Education Advisory Council to annually review and update a list of industry certifications, state-issued professional licenses, and occupational competency assessments. Section 178.550 adds the Director of the Department of Economic Development or their designee to the Career and Technical Education Advisory Council. These sections will not affect Total State Revenue or 18(e); however, DESE may have specific costs related to the implementation of these provisions.

In response to a previous version, Perfected HB 1415 (4033-01), officials from the **Wellsville-Middletown R-1 School District** assumed the amendment would not have any additional fiscal impact on the district.

In response to a similar proposal (HB 1677), officials from the **West Plains School District**, the **Kirksville R-III School District** and the **Summersville R2 School District** each assumed the proposal would have no fiscal impact on their organizations.

Oversight assumes the substitution of assessments would not result in additional expenses.

§162.1115 Industry-Recognized Certificates

Oversight notes this provision allows school districts to rely on industry-recognized certificates and credentials when establishing a career and technical education program but does not require they use them. Oversight assumes this provision would not have a fiscal impact as it is optional.

ASSUMPTION (continued)

§167.910 Career Readiness Task Force

Officials at the **Department of Elementary and Secondary Education (DESE)** assume a cost of \$36,252 (\$26,150 in travel expenses and \$10,102 in public hearing expenses).

In response to a similar proposal, HCS for HB 1245 (LR 4290-03), officials from the **Kirkville R-III School District** assumed this proposal would have a limited negative effect on the district. The district already does career exploration for our students. But, if the district would need to send staff or parents somewhere, their expenses as well as substitutes would be an incurred expense.

In response to a similar proposal, HB 1245 (LR 4290-01), officials from the **Summersville R2 School District** assumed an unknown impact.

In response to a similar proposal, HB 1245 (LR 4290-01), officials from the **Lathrop School District, West Plains School District** and the **Northeast Nodaway R-5 School District** assumed the proposal would have no fiscal impact on their organizations.

Oversight notes this proposal would require the state board of education to convene a task force about a course on college preparation and career readiness. The task force is to consider a curriculum based on the requirements of this proposal. Oversight notes that the task force established may do work in FY 2019 and some work in FY 2020. For the simplicity of the fiscal note, Oversight is showing all the expenses in FY 2019.

Oversight assumes this proposal does not currently require school districts to teach the course under consideration by the task force. However, Oversight assumes the proposal prohibits a school district policy or administrative action that would require any education employee member to use personal leave or incur a reduction in pay for participating on the task force. Oversight assumes there could be costs to the school districts for employees participating in the task force for travel expenses or substitute teachers; however, Oversight assumes these costs would be minimal and can be absorbed by the districts.

ASSUMPTION (continued)

§168.024 Externships

In response to a previous version, Perfected HB 1415 (4033-01), officials from the **Shell Knob #78 School District** assumed the district could initially save the cost of sending teachers to a Professional Development opportunity.

In response to a previous version, Perfected HB 1415 (4033-01), officials from the **Northeast Nodaway R-5 School District, Kirksville R-III School District, West Plains School District, Macon County R-IV School District** and **Pettis County R-12 School District** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight notes this provision would allow teachers to participate in externships with local businesses and count it as part of the professional development required under §168.024. In order to obtain a teaching certificate in Missouri, an applicant must have the required educational degree, pass a background check and have a certain number of professional development hours (including so many hours in a classroom) per §168.024. This proposal would allow the externships to count towards the professional development that can be obtained outside the classroom.

Oversight assumes this provision would not have a fiscal impact as teachers are already required to have a set number of professional development hours.

§170.028 Career and Technical Education Certification Program

In response to a similar proposal, Perfected HB 1660 (5093-01), officials at the **Summersville R2 School District** assumed there is a possible fiscal effect.

In response to a similar proposal, Perfected HB 1660 (5093-01), officials at the **Kirksville R-III School District, West Plains School District** and the **Columbia Public Schools** each assumed there is no fiscal impact from this proposal.

Oversight notes the Career and Technical Education delivery system consists of 444 comprehensive high schools, 57 area career centers, the State Technical College of Missouri, 12 community colleges, and 7 four-year institutions.

§178.550 Career and Technical Advisory Council

Oversight notes this provision adds the director of the Department of Economic Development to the advisory council.

ASSUMPTION (continued)

§178.931 Sheltered Workshops

Officials from **Office of Administration - Budget and Planning (B&P)** assume section 178.931 modifies the reimbursement methodology for sheltered workshops beginning July 1, 2018. The current pay-rate is \$95 for each standard workweek (Monday through Friday) and \$19 for each six-hour or longer day for Saturdays or Sundays. For each worker employed for less than a thirty-hour workweek or a six-hour day on Saturday or Sunday, a percentage of the standard pay-rate based on time worked will be paid to the sheltered workshop. The proposed legislation will require reimbursement to equal an amount that constitutes at least \$21 for each six-hour or longer day worked per employee. Otherwise, the amount paid to each sheltered workshop shall be the full appropriation distributed proportionately based on the number of hours submitted by each sheltered workshop to DESE. Additionally, Section 178.930, which contains outdated and current provisions related to sheltered workshop reimbursement, is repealed. The proposed legislation appears to have no direct impact on TSR or the calculation pursuant to Article X, Section 18(e). B&P defers to DESE for any specific impact to sheltered workshop reimbursement.

Officials from the **DESE** assume the proposal would have no fiscal impact on their organization. DESE assumes any potential cost arising from this proposal can be absorbed within existing appropriations.

Oversight notes, based on information from DESE’s FY 2019 budget documents, there are 90 non-profit sheltered workshops located in Missouri providing employment to approximately 7,000 adults with severe disabilities. The current pay-rate is \$95 for each standard, Monday through Friday, work week (or \$19 per day) and \$19 for each six-hour or longer day for Saturdays or Sundays. Oversight notes the following information for sheltered workshops:

	FY 2015	FY 2016	FY 2017	FY 2018 (Proj.)
State Aid Requested	\$24,913,446	\$24,524,953	\$24,190,364	\$25,260,702
State Aid Paid	\$24,913,446	\$24,524,953	\$23,921,649	\$25,260,702
Total Hours Claimed	8,019,711	7,683,473	7,554,364	7,856,539
Number of Employed	7,034	6,533	6,358	6,612

Source: DESE FY 2019 Budget Book

ASSUMPTION (continued)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019*
Appropriations	\$25,283,457	\$25,283,457	\$25,283,457	\$26,041,961	\$26,041,961
Expenditures	\$24,913,446	\$24,524,953	\$24,078,421	N/A	N/A

Source: DESE FY 2019 Budget Book

* Amount listed in CCS SCS HCS HB 2002

Oversight assumes this proposal raises the state reimbursement rate to \$21 per six-hour day. Based on DESE's response, Oversight will not show a fiscal impact resulting from this proposal.

§620.809 MO Works Training Programs

Officials at the **Office of Administration Division of Budget and Planning** assume this provision re-authorizes §620.800 to §620.809 and extends the expiration date to August 28, 2030. Since the proposal extends the expiration date of an existing program, it does not impact General and Total State Revenue. This proposal will not impact the calculation under Article X, Section 18(e).

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

Oversight notes this proposal extends the sunset date of the programs in §620.800 to §620.809 from July 1, 2019 to August 28, 2030. These programs are the Missouri Works Job Retention Training Program and the Missouri Works New Jobs Training Program.

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. HB 93 of the 2017 Legislative session allowed for the General Assembly to appropriate money from General Revenue to help fund these programs.

ASSUMPTION (continued)

The Job Retention Training Program has a debt cap of \$45 million with a five year issue average of \$6.7 million. The New Jobs Training program has a debt cap of \$55 million and a five year issue average of \$6.4 million. Per **Oversight** fiscal note policy, the fiscal note will reflect the extension of the tax credits starting in FY 2021. Oversight will show the impact as the five year issue average of these credits of \$13.1 million.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works Job Retention Training Program tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Projects	5	5	0	4	4
Amount Authorized	\$3,082,906	\$9,380,750	\$0	\$4,000,000	\$4,000,000
Amount Issued	\$4,105,906	\$9,380,750	\$0	\$4,000,000	\$4,000,000
Amount Redeemed	\$8,570,164	\$6,452,185	\$6,028,757	\$6,000,000	\$6,000,000

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works New Jobs Training Program tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Projects	6	5	4	4	5
Amount Authorized	\$6,798,676	\$2,611,078	\$10,783,057	\$8,000,000	\$8,000,000
Amount Issued	\$6,646,481	\$3,199,178	\$10,783,057	\$8,000,000	\$8,000,000
Amount Redeemed	\$6,319,681	\$2,816,374	\$4,379,900	\$6,000,000	\$7,000,000

In response to a similar proposal, SCS for SB 550 (LR 4474-02), officials at the **St. Louis Community College** assumed there would be no fiscal impact from this proposal.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Metropolitan Community College, Moberly Area Community College, State Technical College of Missouri, St. Charles Community College and Three Rivers Community College did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Oversight assumes the extension of the sunset of the these programs outlined in this proposal could have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in this fiscal note.

§620.2020 MO Works

Officials at the **Office of Administration Division of Budget and Planning** assume this provision re-authorizes §620.2000 to §620.2020 and extends the expiration date to August 28, 2030. Since this proposal extends the expiration date of an existing program, it does not impact General and Total State Revenue. This proposal will not impact the calculation under Article X, Section 18(e).

Officials from the **Department of Economic Development** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal, SB 550 (LR 4474-02), officials at the **Department of Economic Development (DED)** stated to calculate a benefit, DED's Division of Business and Community Services (BCS) determined the estimated redemptions that will likely occur in FY 2020 and 2021. For FY 2020 BCS estimates redemptions of \$147,233,155. However, for this program, the state sees an economic benefit of \$3.59 per dollar spent. The redemptions minus the benefit to the state equals a total positive benefit to the state of \$381,333,871 for FY 2020.

Oversight assumes the re-authorized program could have a positive impact on the state (estimated to be a return of \$3.59 per dollar spent by DED above). However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in the fiscal note.

Oversight notes the MO Works Program was created in 2013 in HB 184. It replaced the Development tax credit in §32.100, the Rebuilding Communities tax credit in §135.535, the Enhanced Enterprise Zones tax credit in §135.950 and the Quality Jobs tax credit in §620.1875. MO Works was given a \$106 million cap in FY 2014, a \$111 million cap in FY 2015 and a \$116 million cap in FY 2016 and all subsequent years. This \$116 million cap includes outstanding authorizations under the previous tax credits.

To qualify for a tax credit under MO Works a company must create or retain a minimum number of jobs at the project facility with average wages of 80%, 90%, 120% or 140% of the county average wage and pay at least 50% of health insurance premiums. These projects are considered Zone Works, Rural Works, Statewide Works, and Mega Works.

ASSUMPTION (continued)

In addition to the tax credits, a company is allowed to retain withholding tax based on the creation of new jobs and retained jobs. There is no annual cap on the amount of withholding tax that can be retained.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	0	4	17	51	84
Projects	150	136	144	145	145
Amount Authorized	\$288,867,941	\$114,719,436	\$155,506,188	\$186,045,440	\$186,045,440
Amount Issued	\$3,588,785	\$23,741,677	\$35,547,214	\$76,586,936	\$95,763,453
Amount Redeemed	\$3,588,785	\$12,075,789	\$35,065,683	\$75,603,837	\$94,214,896

Amount Outstanding - \$12,147,420.17 Amount Authorized but Unissued - \$568,188,990.08

Oversight notes the Missouri Works Program has a \$116 million annual cap for the tax credit and no cap on the retained withholding. Currently, this tax credit is to sunset on August 28, 2019 (FY 2020). This proposal would extend the sunset until August 28, 2030. This would extend the program from FY 2021 to FY 2031.

Per **Oversight** fiscal note policy, the fiscal note will reflect the extension of the tax credits starting in FY 2021. Oversight will show the impact as Could Exceed the \$116 million annual tax credit cap.

Bill as a Whole

Officials from the **Department of Economic Development, Department of Revenue, Department of Higher Education, Missouri State University and State Technical College of Missouri** assume the proposal will have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the sunset on the Missouri Works Job Retention Training Program §620.809 from 7/1/19 to 8/28/30	\$0	\$0	(\$6,700,000)
<u>Revenue Reduction</u> - extension of the sunset on the Missouri Works New Jobs Training Program §620.809 to 8/28/30	\$0	\$0	(\$6,400,000)
<u>Revenue Reduction</u> - extension of the sunset on the Missouri Works tax credit and retained withholding tax §620.2020 from 8/28/19 to 8/28/30	<u>\$0</u>	<u>\$0</u>	(Could Exceed <u>\$116,000,000</u>)
<u>Cost</u> - DESE - travel & meeting expenses §167.910	<u>(\$36,252)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$36,252)</u>	<u>\$0</u>	(Could Exceed <u>\$129,100,000</u>)
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses that utilize the program would be impacted by this proposal.

FISCAL DESCRIPTION

This bill provides students the opportunity to choose between the ACT WorkKeys assessment or ACT (including ACT Plus Writing) assessment in any school year in which the Department of Elementary and Secondary Education directs a state-funded census administration of the ACT assessment, or in which a school district directs the administration of the ACT assessment (Section 160.572, RSMo).

FISCAL DESCRIPTION (continued)

This bill allows a teacher to count hours spent in a local business externships as contact hours of professional development (Section 168.024).

This bill allows school districts to rely on technical coursework and skills assessments developed for industry-recognized certificates and credentials when entering into the partnerships current law authorizes for implementing programs for students to obtain career and technical education, internships or apprenticeships, and industry certification or credentials while in high school.

The bill requires the Career and Technical Education Advisory Council to annually review, update, approve, and recommend a list of industry certifications, state-issued professional licenses, and occupational competency assessments. A school district may use the list as a resource in establishing programs of study that meet their regional workforce needs under Section 170.029, RSMo.

The bill also modifies the composition of the Career and Technical Education Advisory Council by adding the Director of the Department of Economic Development or his or her designee.

The Missouri Works Training Programs are currently set to expire on July 1, 2019. This act re-authorizes the programs until August 28, 2030. (§620.809)

The Missouri Works Program is currently set to expire on August 28, 2019. This act re-authorizes the program until August 28, 2030. (§620.2020)

This bill provides that beginning July 1, 2018, the Department of Elementary and Secondary Education shall pay monthly, out of appropriated funds for that purpose, to each sheltered workshop a sum determined by specified criteria, but no less than \$21 per day for each handicapped employee. The bill contains an emergency clause. (§178.931)

This proposal established a Career Readiness Task Force to explore a course offering that would cover topics related to exploring various career and educational opportunities, as specified in the bill. In addition to the topics covered, the course should focus on career readiness and emphasize the importance of work ethic, communication, collaboration, critical thinking, and creativity. The course should also demonstrate that graduation from a four-year college is not the only path to success and discuss other pathways. (§167.910)

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 Economic Development
Department of Revenue
Department of Higher Education
Office of Administration - Budget and Planning
Kirksville R-III School District
Macon County R-IV School District
Northeast Nodaway R-5 School District
Pettis County R-12 School District
Shell Knob #78 School District
West Plains School District
Summersville R2 School District
Columbia Public Schools
St. Louis Community College
State Technical College of Missouri

Ross Strope



Acting Director
June 28, 2018