

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0364-01
Bill No.: HB 221
Subject: Elementary and Secondary Education; Higher Education
Type: Original
Date: February 19, 2019

Bill Summary: This proposal modifies provisions relating to the A+ schools program.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | (Could exceed \$22,714,506) | (Could exceed \$22,773,689) | (Could exceed \$22,950,701) |
| Total Estimated Net Effect on General Revenue | (Could exceed \$22,714,506) | (Could exceed \$22,773,689) | (Could exceed \$22,950,701) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | 1 FTE to 3 FTE | 1 FTE to 3 FTE | 1 FTE to 3 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 1 FTE to 3 FTE | 1 FTE to 3 FTE | 1 FTE to 3 FTE |

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 2020 | FY 2021 | FY 2022 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Higher Education** assume this proposal proposes to revise the student eligibility requirements for the A+ scholarship and extend A+ eligibility to include dual credit and dual enrollment courses.

Paragraph (1) of Subsection 8 reduces the number of years from three to two that a student must attend a designated high school in order to be eligible for the postsecondary scholarship. In addition, the revised provision would no longer require the eligible student to graduate from an A+ designated high school. While these changes would have the effect of expanding the pool of eligible students, and thus the cost of the program, accurate data regarding the extent of that change is not available. Consequently, this cost estimate does not include these provisions.

Paragraph (3) of Subsection 8 would potentially require schools to check student grade point average (GPA) before each semester. Currently some institutions only check student GPA once per academic year. As such, this change could impact eligibility, both positively and negatively, for some students. It is assumed the positive and negative impacts would offset and there would be no fiscal impact from this change.

Subsection 9 requires the MDHE to establish a procedure to reimburse students for costs associated with enrollment in dual credit and dual enrollment coursework offered by any institution of higher education. Dual credit coursework is defined by the MDHE as college-level coursework delivered within a high school classroom taught by a high school faculty member that results in both high school and college credit. Dual enrollment is coursework delivered by a college or university and taught by regular college faculty that results in both high school and college credit. Dual enrollment courses may be delivered within the high school or on the college campus.

The only limitation on institutional eligibility for dual credit and dual enrollment reimbursement relates to private two-year institutions and religious institutions. Consequently, it is assumed dual credit and dual enrollment coursework delivered by any public or four-year independent (non-profit) higher education institution would be eligible for reimbursement. Although the proposed provision does not limit the reimbursement to higher education institutions located in Missouri, it is assumed reimbursable coursework would be limited to that delivered by institutions domiciled within Missouri.

The primary eligibility criteria for A+ reimbursement that would be applicable to dual credit and dual enrollment students is a 2.5 cumulative grade point average and an attendance rate of 95

ASSUMPTION (continued)

percent. The other eligibility provisions applied to college level coursework would not be appropriate to apply to high school students. Since most high schools already require dual credit and dual enrollment students to meet at least a 2.5 GPA requirement, that provision would have no impact. It is assumed students taking these courses are higher achieving students and, as a consequence, the attendance requirement would have limited or no impact on eligibility.

The most recent year for which dual credit data are available is the 2015-2016 academic year. In that year, 49,743 students completed 242,074 credit hours from dual credit coursework. Based on data collected by the MDHE, the average per credit hour cost of dual credit coursework is approximately \$75 per credit hour. Using that cost basis and assuming full funding for all eligible students, this component of the proposal would cost approximately **\$18,155,550** (242,074 X \$75) in the first year of implementation.

The following are the major assumptions underlying this estimate.

- Because the majority of these credit hours are earned at postsecondary institutions that are not currently eligible to participate in the A+ program (68%) and this level of dual credit participation already exists, it is assumed there would be no cost overlap with the current program that would reduce this figure.
- While it would be expected that reimbursement of the costs for dual credit coursework would increase the number of credit hours produced, it is not possible to accurately estimate that cost increase. Some of this increase could represent a shift from taking coursework at A+ institutions, where the program already covers the tuition and fee costs, to taking the coursework as dual credit making a reliable estimate of the increase even more difficult.
- It is important to note that the data used in this calculation only include credit hours for completed coursework rather than all coursework for which high school students enrolled. Although some additional students may be eligible for reimbursement, depending on payment policies, no adjustment has been made to reflect this issue.
- Since the average credit hour rate has been relatively stable for the past several years, it is assumed this estimated cost per credit hour would not change substantially during the period covered by this fiscal note.

The most recent year for which dual enrollment data are available is the 2016-2017 academic year. In that year, 14,761 high school students completed 41,316 credit hours at public two- and four-year institutions. Approximately 89 percent of those hours were for enrollment in coursework at public community colleges. As with the dual credit calculation, it is assumed the GPA and attendance requirements will have little to no effect on the eligibility of students taking dual enrollment coursework for the proposed program. The 2017-2018 average tuition

ASSUMPTION (continued)

calculation for the Higher Education Student Funding Act was \$234 for public four-year institutions and State Technical College. Students enrolled in dual enrollment coursework at these institutions completed 4,737 credit hours. Based on the HESFA tuition average, this would result in a cost of \$1,108,458 ($\$234 \times 4,737$). Students enrolled in dual enrollment coursework at public community colleges completed 36,579 credit hours. Since we do not have the necessary data to calculate an average tuition cost for these courses, a \$100 credit hour rate is assumed for this calculation. This results in a cost of \$3,657,940 ($\$100 \times 36,376$) for this component. Total estimated cost for the reimbursement of tuition for dual enrollment coursework is \$4,766,398 before any adjustments are made. The following are the major assumptions underlying this estimate.

- Since approximately 11 percent of public high school graduates receive an A+ payment in the year following high school graduation, it is assumed that 89 percent of these credit hours would not overlap with the current program and would constitute additional cost for the program. This adjustment would reduce the cost for the first year of the dual enrollment component to **\$4,242,095** ($\$4,766,398 \times 89\%$).
- While it would be expected that reimbursement of the costs for dual enrollment coursework would increase the number of credit hours produced, it is not possible to accurately estimate that cost increase.
- It is important to note that the data used in this calculation only include credit hours for completed coursework rather than all coursework for which high school students enrolled. Although some additional students may be eligible for reimbursement, depending on payment policies, no adjustment has been made to reflect this issue.
- Independent, non-public institutions provide dual enrollment coursework through a number of mechanisms to Missouri high school students. Since the data used in this calculation do not include credit hours generated by students enrolled at those institutions, this estimate likely underestimates the actual total cost. Since the MDHE does not collect dual enrollment data from this sector, it is not possible to estimate this additional cost.
- Increased tuition costs at public four-year institutions and State Technical College have averaged less than two percent per year for the past several years. Average increased tuition costs at community colleges, based on A+ reimbursement rates for the past two years has been approximately five percent.

ASSUMPTION (continued)

The following table displays the related cost increments for the first three years of operation (for dual enrollment).

| Fiscal Year | Public 4 Year & STC | Community Colleges | Total |
|-------------|---------------------|--------------------|-------------|
| FY 2020 | \$986,528 | \$3,255,567 | \$4,242,095 |
| FY 2021 | \$994,329 | \$3,399,337 | \$4,393,666 |
| FY 2022 | \$1,007,607 | \$3,561,210 | \$4,568,817 |

Based on these assumptions, the **total increased cost to the A+ program** for the implementation of this proposal for the reimbursement of dual credit and dual enrollment costs (not including items below for related staff and expenses) would be as follows.

- FY 2020 - \$22,397,645
- FY 2021 - \$22,549,216
- FY 2022 - \$22,724,367

Oversight notes the following anticipated total program distributions:

| Fiscal Year | FY 2020 | FY 2021 | FY 2022 |
|---------------------|---------------------|---------------------|---------------------|
| Dual Credit p.4 | \$18,155,550 | \$18,155,550 | \$18,155,550 |
| Dual Enrollment p.5 | \$4,242,095 | \$4,393,666 | \$4,568,817 |
| Total | \$22,397,645 | \$22,549,216 | \$22,724,367 |

DHE assumes, in addition to these direct costs for reimbursement, revisions to the current system for administering state student assistance programs (FAMOUS) would be necessary to incorporate this additional component into the A+ program. Office of Administration - Information Technology (ITSD) has estimated the cost of those revisions to be \$257,580 in the year of implementation. It is assumed any ongoing costs would be within the current maintenance cost for the FAMOUS system. Detailed information regarding the ITSD estimate is provided below:

ASSUMPTION (continued)

| A+ FAMOUS Modifications | Rate | Hours | FY 2020 | FY 2021 |
|-------------------------|------|-------|-----------|---------|
| Requirements Gathering | \$75 | 100 | \$7,500 | - |
| Analysis | \$75 | 240 | \$18,000 | - |
| Design | \$75 | 400 | \$30,000 | - |
| Development | \$75 | 2000 | \$150,000 | - |
| Test | \$75 | 400 | \$30,000 | - |
| Implementation | \$75 | 40 | \$3,000 | - |
| Project Management | \$75 | 254 | \$19,080 | - |
| On-going Support | \$75 | - | - | - |
| Total | - | 3434 | \$257,580 | - |

Given this proposal would substantially expand the program, including both additional scholarship recipients and the need for increased communication and data verification from the more than 600 A+ designated Missouri high schools, one additional staff FTE for a Research Associate I at \$35,000 annual salary and related costs for expense and equipment are included per Office of Administration (OA) guidelines and are required for adequate implementation and operation of this program.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this proposal, ITSD assumes they will contract out the programming changes need to A+ FAMOUS system. ITSD estimates the project would take 3,434.40 hours at a contract rate of \$75 per hour for a total cost to the state of \$257,580. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional two IT Specialists to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of hiring two additional FTE IT Specialists (roughly \$160,000 per year) to contracting out the work (\$257,580).

Officials from **Department of Elementary and Secondary Education (DESE)** assume the proposal will have no fiscal impact on their organization. DESE states, since 2011, the Department of Higher Education has handled the payment portion of the A+ program.

ASSUMPTION (continued)

Officials from **Springfield Public Schools** state the district would incur no cost but there would be a significant number of students eligible to access these funds so there would be significant state costs.

Officials from the **Francis Howell School District** assume there would be no negative fiscal impact to district.

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 \$5,000. 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|--|---|---|---|
| GENERAL REVENUE | | | |
| <u>Cost - DHE - A+ expansion for dual credit & dual enrollment</u> | (Could exceed \$22,397,645) | (Could exceed \$22,549,216) | (Could exceed \$22,724,367) |
| <u>Cost - DHE</u> | | | |
| Personal Service | (\$29,167) | (\$35,350) | (\$35,704) |
| Fringe Benefits | (\$19,397) | (\$23,383) | (\$23,491) |
| Equipment and Expense | <u>(\$10,717)</u> | <u>(\$4,478)</u> | <u>(\$4,516)</u> |
| <u>Total Cost - DHE</u> | (\$59,281) | (\$63,211) | (\$63,711) |
| FTE Change - DHE | 1 FTE | 1 FTE | 1 FTE |
| <u>Cost - DHE - modifications to the A+ web application - ranged from ITSD estimate of contracting out (\$257,580 in FY 2020) to hiring 2 additional FTE</u> | (\$133,263 to <u>\$257,580</u>) | \$0 to (\$161,262) | \$0 to (\$162,623) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | (Could exceed <u>\$22,714,506</u>) | (Could exceed <u>\$22,773,689</u>) | (Could exceed <u>\$22,950,701</u>) |
| Estimated Net FTE Change for General Revenue | 1 FTE to 3 FTE | 1 FTE to 3 FTE | 1 FTE to 3 FTE |
| <u>FISCAL IMPACT - Local Government</u> | | | |
| | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
| | <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

This bill expands the A+ program to students earning specified college credit in high school. Eligible high school students may receive A+ reimbursement for the cost of tuition, books, and fees for any dual-credit or dual-enrollment course offered in association with any institution of higher education.

The bill also changes the eligibility requirement for the A+ program by reducing the requirement that a student attend high school in Missouri from three years to two years.

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
Department of Elementary and Secondary Education
Office of Administration - Information Technology (ITSD)
Springfield Public Schools
Francis Howell School District



Kyle Rieman
Director
February 19, 2019

Ross Strobe
Assistant Director
February 19, 2019