

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4473S.01I
 Bill No.: SB 957
 Subject: Education, Higher; Department of Higher Education and Workforce Development
 Type: Original
 Date: March 20, 2022

Bill Summary: Establishes the "workforce diploma program" to assist students in obtaining a high school diploma and in developing employability and career and technical skills.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	(Unknown, could exceed \$4,878,185 to \$13,119,125)	(Unknown, could exceed \$4,465,708 to \$12,953,876)	(Unknown, could exceed \$4,597,865 to \$13,340,677)
Total Estimated Net Effect on General Revenue	(Unknown, could exceed \$4,878,185 to \$13,119,125)	(Unknown, could exceed \$4,465,708 to \$12,953,876)	(Unknown, could exceed \$4,597,865 to \$13,340,677)

*The fiscal impact is ranged from 1% to 3% of Missourians 21 years of age or older (4,120 – 12,361) participating in the program at a cost to the state of \$1,000 per participant

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§173.831 – Workforce diploma program

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** provide the following information:

Section 173.831.2 creates the “Workforce Diploma Program” within the Department of Higher Education & Workforce Development (DHEWD) to assist students with obtaining a high school diploma and developing employability and career technical skills.

Section 173.831.3 requires the DHEWD to annually issue a request for qualifications for interested program providers to become approved and participate in the program.

Section 173.831.4 requires the DHEWD to announce the approved program providers annually before October 16.

Section 173.831.5-6 requires the DHEWD to pay approved program providers for the completion of certain milestones by each student, unless the program provider receives federal or state funding or private tuition for that student.

Section 173.831.6-8 requires the DHEWD to collect certain metrics from each provider, review the data to ensure the provider is achieving minimum program performance standards, and publish certain monthly and annual reports.

As of 2019, there were 412,047 Missourians 21 years of age and older without a high school diploma. DHEWD estimates a 1-3% utilization rate based on existing programs. At \$1,000 per participant, the costs would range as follows for participant costs:

Low end: $412,047 \times 0.01 = 4,120.47 \times \$1,000 = \$4,120,470$

High end: $412,047 \times 0.3 = 12,361.41 \times \$1,000 = \$12,361,410$

That would be a range between 4,120 (1%) and 12,361 (3%) individuals that might eventually receive their high school diploma based on the percentage who begin programs at DHEWD local Job Centers without a high school diploma but achieved a secondary diploma during participation. Average cost per-participant is estimated at \$1,000 per completion. This would result in a cost between \$4,120,470 and \$12,361,410 - excluding individuals who receive industry recognized credentials or employability skills certifications along the way.

DHEWD will require 1.0 FTE at the Research/Data Analyst level (\$48,234 annually) in order to publish the request for qualifications, analyze applicants against the statutory requirements,

collect data, run reports, and make payments. This position is budgeted at state standards and includes all standard OA one-time and ongoing costs per OA budget instructions for FY 2023.

The following two scenarios only differ in the rate of participations from 1 to 3 percent. All other costs stay the same.

Total fiscal costs for Scenario 1 assumes a 3% participation rate and all other related costs. The first year participation rate costs would be estimated at \$12,361,410 for FY23. There is a 3% increase estimated in future years.

Total fiscal costs for Scenario 2 assumes a 1% participation rate. FY23 it is estimated at \$4,120,470. There is a 3% increase estimated in future years.

In addition, in 2021, ITSD estimated significant one-time costs and ongoing costs for system needs to manage the program as shown. DHEWD did not update these costs for 2022 and assume ITSD costs would be close to the 2021 estimate.

Oversight notes this proposal states that program providers may be reimbursed \$250 for each student's completion of:

- a half unit of high school credit
- an employable skills certification
- or an industry-recognized credential requiring less than 50 hours

Additionally, program providers may be reimbursed \$500 for a student attaining an industry-recognized credential requiring 51 hours to 100 hours, or \$750 for a student attaining an industry-recognized credential requiring more than 100 hours, and \$1,000 for attaining an accredited high school diploma.

Officials from the **Department of Elementary and Secondary Education**, the **University of Missouri System**, **Missouri State University**, the **University of Central Missouri** and **St. Charles Community College** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes students who are eligible to participate in the program must be 21 years of age or older, a Missouri resident and have not yet earned a high school diploma. Based on information on Educational Attainment from the [U.S. Census Bureau](#), 9.4% of the Missouri population over the age of 25 have attained less than a high school diploma (393,045 / 4,176,792). Oversight cannot estimate the number of participants but will show a range of costs assuming different levels of participation in Table I below.

Table I: Estimated Costs for Workforce Diploma Program

Participation Rate (Assumed)	Number of Participants (393,045 * Participation Rate)	Cost to reimburse program providers at \$250 per milestone for one milestone	Cost to reimburse program providers at \$1,000 per milestone for one milestone
1%	3,930	\$ 982,500	\$ 3,930,000
5%	19,652	\$ 4,913,000	\$ 19,652,000
10%	39,305	\$ 9,826,250	\$ 39,305,000

Oversight notes the numbers estimated above may represent the lower end since the data was limited to 25 and older which excludes those between the ages of 21 and 24 that may also be eligible. Oversight notes the estimates above could also be exceeded if an eligible student attains more than one half credit, certification or credential or the industry-recognized credential is reimbursed a higher rate as noted above.

Oversight will show an unknown cost to General Revenue for reimbursements to program providers that could exceed amounts estimated by DHEWD.

Oversight assumes DHEWD is required to issue a request for interested program providers before August 16, 2023. Program providers must be approved by October annually and students may start enrolling in November annually. Oversight assumes DHEWD could request and approve program providers any time before August of 2023 and after the effective date of this proposal August 28, 2022. Therefore, Oversight will show cost beginning in FY 2023.

Rule Promulgation

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

Officials from the **Office of the Secretary of State (SOS)** notes 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 its 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.

Officials from the CHAPTER \h \r 1 [HYPERLINK](https://data.census.gov/cedsci/table?q=missouri%20education%20&g=0400000US29&tid=ACSTIY2019.S1501&hidePreview=false)
["https://data.census.gov/cedsci/table?q=missouri%20education%20&g=0400000US29&tid=ACSTIY2019.S1501&hidePreview=false"](https://data.census.gov/cedsci/table?q=missouri%20education%20&g=0400000US29&tid=ACSTIY2019.S1501&hidePreview=false) U.S. Census Bureau

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Costs – DHEWD (§173.831) – establish and administer the Workforce Diploma Program</u>			
Personal service	(\$40,195)	(\$49,198)	(\$50,182)
Fringe benefits	(\$25,804)	(\$31,288)	(\$31,618)
Equipment and expense	(\$11,683)	(\$1,731)	(\$1,766)
ITSD/system upgrades and on-going costs	(\$680,033)	(\$139,407)	(\$142,892)
Total Costs - DHEWD	(\$757,715)	(\$221,624)	(\$226,458)
FTE Change - DHEWD	1 FTE	1 FTE	1 FTE
<u>Costs – DHEWD (§173.831) - Reimbursements to program providers for qualifying student milestones</u>	<u>(Unknown, could exceed \$4,120,470 to \$12,361,410)</u>	<u>(Unknown, could exceed \$4,244,084 to \$12,732,252)</u>	<u>(Unknown, could exceed \$4,371,407 to \$13,114,219)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown, could exceed \$4,878,185 to \$13,119,125)</u>	<u>(Unknown, could exceed \$4,465,708 to \$12,953,876)</u>	<u>(Unknown, could exceed \$4,597,865 to \$13,340,677)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<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 act establishes the "Workforce Diploma Program" within the Department of Higher Education and Workforce Development to assist students in obtaining a high school diploma and in developing employability and career and technical skills.

Before August 16, 2023, and annually each year after, the Department shall issue a request for applications for interested program providers to become approved providers to participate in the program. Applications shall furnish evidence that such interested provider meets certain criteria set forth in the act, including having at least two years of experience providing adult dropout recovery services.

The Department shall announce approved program providers prior to October 16 each year, and approved program providers shall begin enrolling students before November 15 each year.

The Department shall pay approved program providers amounts set forth in the act for the completion of certain milestones by students. However, no program provider shall receive funding for a student if such provider already receives federal or state funding or private tuition for such student.

In order to receive payments, program providers shall be required to submit monthly invoices to the Department before the eleventh calendar day of each month for the milestones met by students in the previous month. The Department shall pay approved program providers in the order in which invoices are submitted until all available funds are exhausted.

The Department shall also provide a written update to program providers by the last day of each month, which shall include the aggregate total dollars that have been paid to the providers, and the estimated number of enrollments still available for the program year.

Prior to July 16 of each year, each provider shall report certain information set forth in the act to the Department, including the total number of students who have been funded through the program, the total number of credits earned, the total number of employability skills certifications issued, the total number of industry-recognized credentials earned, and the total number of graduates.

The Department shall review data from each approved program provider, at the end of the second fiscal year of the program, to ensure that each provider is achieving minimum program performance standards. Any provider failing to meet such standards shall be placed on probationary status for the remainder of the fiscal year. If a provider fails to meet the standards for two consecutive years, such provider shall be removed from the approved provider list. Any diploma issued under this act shall be recognized as a secondary school diploma by the state.

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This legislation is not federally mandated and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education and Workforce Development

Department of Elementary and Secondary Education

Office of the Secretary of State

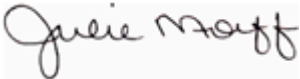
Joint Committee on Administrative Rules

University of Missouri System

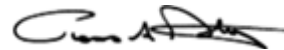
Missouri State University

University of Central Missouri

St. Charles Community College



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