

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0266-01
Bill No.: SB 48
Subject: Education, Higher.
Type: Original
Date: January 24, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Department of Higher Education (DHE)** assume the proposal would have no direct impact on their organization, provided the DHE is not required to perform any duties pursuant to this legislation. However, the proposal legislation could have a significant but unquantifiable negative impact on higher education institutions and state funding.

On average in FY 2004, public higher education institutions in Missouri received 41 percent of their total estimated Unrestricted Education and General Revenues from tuition and fees. Higher education institutions' inability to increase tuition could result in a negative impact on state funding as an increase in state resources would be required to maintain current expenditure levels. Also, this proposal could negatively impact certain private and proprietary institutions since students attending private and proprietary institutions receive state funding in the form of state grants and scholarships.

ASSUMPTIONS (continued)

Officials from the **University of Missouri** (UM) assume the cost of compliance with the proposal's requirements would be substantial. The proposal would have an unknown but significant negative impact on their organization. Currently when the University's state funding is reduced or extraordinary cost issues arise student fees are increased uniformly across student levels and academic programs to accomplish equilibrium. These fees are set and approved each year and go into effect with the summer semester. Imposing a fixed "four year" rate for each student would add to the complexity of the billing structure exponentially. There are significant costs associated with administering such a billing system in staff time, effort, and required modifications to the student information and billing system.

Officials from **Linn State Technical College** assume the proposal would result in reduced tuition of \$475,000 for FY 2006, \$493,500 for FY 2007, and \$526,750 for FY 2008.

Officials from **Southeast Missouri State University** (SEMO) assume their institution would have collected approximately \$23.4 million less in student fees if SEMO had been required to maintain their FY 2001 rates for incoming freshmen that year.

Officials from **Metropolitan Community Colleges** assume the impact of the proposal would be a reduction of approximately \$1.9 million in tuition and fees.

Officials from **Moberly Area Community College** assume the impact of the proposal would be a reduction of approximately \$150,000 to \$350,000 each year, in tuition and fees. In addition, replacement of the administrative software would cost another \$750,000 if the current system could not handle the required billing scheme.

Officials from **Truman State University** (Truman) assume the proposal would require institutions to project cost increases and levels of state support four years in the future. Modifications of computer software programs would be required to handle multiple fee schedules for students who entered the institution at different points in time. It is difficult to estimate this cost and the increased administrative costs in University offices such as Financial Aid and the Registrar. Additional costs are also anticipated due to students appealing the tuition rate they are being charged, as some students enter college in the spring and summer semesters in addition to the large group each fall.

Officials from **Three Rivers Community College** assume the proposal would require modifications to administrative software at a cost of approximately \$150,000, and result in lost revenue of \$300,000 or more.

ASSUMPTIONS (continued)

Officials from **East Central College** (ECC) assume the proposal would have a significant negative impact on their organization. ECC officials estimate they increased tuition by approximately 31% from FY 2000 to FY 2004, resulting in an additional \$350,000 to \$450,000 in revenue.

Officials from **Lincoln University** stated the proposal would not allow tuition increases to compensate for increases in costs in the normal operation of business.

Officials from **Central Missouri State University** (CMSU) assume the proposal would have an unknown but significant negative impact on their organization.

Officials from **St. Louis Area Community College** assume the proposal would result in reduced revenues of \$3 million the first year, \$6 million the second year, and \$9 million the third year.

Officials from **Missouri Southern State University - Joplin, Southwest Missouri State University, Missouri Western State University, North Central Missouri College, Northwestern Missouri State University, State Fair Community College, and Harris-Stowe State College** did not respond to our request for information.

Oversight assumes this proposal would result in significant but unknown negative fiscal impact to the higher education organizations. Since the proposal would become effective as of August 28, 2005, the first impact would be at the beginning of the second semester of the academic year ending June 30, 2006 (state FY 2007). The impact would increase each semester after that, if higher education institutions were unable to compensate for higher costs by increasing tuition and fees. Oversight assumes the institutions would adopt a number of measures to comply with the proposal's requirements which can not be forecast at this time. Oversight has not shown any impact to the state General Revenue Fund since this proposal would not require any additional state appropriations.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could significantly impact small businesses involved in providing higher education services if they or their students received any form of state support.

DESCRIPTION

This proposal would freeze tuition rates from the time Missouri undergraduates enter college until they graduate.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

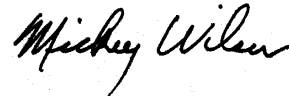
SOURCES OF INFORMATION

Department of Higher Education
Central Missouri State University
East Central College
Lincoln University
Linn State Technical College
Metropolitan Community Colleges
Moberly Area Community College
St. Louis Area Community College
Southeast Missouri State University
Three Rivers Community College
Truman State University
University of Missouri

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NOT RESPONDING

Harris Stowe State College
Missouri Southern State University - Joplin
Missouri Western State University
North Central Missouri College
Northwestern Missouri State University
Southwest Missouri State University
State Fair Community College



Mickey Wilson, CPA
Director
January 24, 2005