

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1189-01  
Bill No.: SB 231  
Subject: Education, Higher.  
Type: Original  
Date: February 11, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$39,957)	(\$42,335)	(\$43,394)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$39,957)</b>	<b>(\$42,335)</b>	<b>(\$43,394)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue			
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTIONS**

Officials from the **Department of Higher Education (DHE)** assume the this proposal would require DHE to review and analyze documents for each public higher education institution regarding tuition increases. Further, the CBHE would be required to submit a report to the Governor and General Assembly regarding the findings of its review.

In addition, DHE would be required to submit a budget to the Governor and General Assembly for the University of Missouri that is highly detailed by campus, by department, by college and by program. This provision would also require DHE approval for the transfer of funds at the University of Missouri from one department or college to another.

DHE assumes that 1.0 additional FTE at the Research Associate (RA) level with an annual salary of \$35,000 and related equipment is necessary to complete the duties as required by this legislation. This RA would be responsible for reviewing and preparing an analysis of the tuition information from each higher education institution. In addition, this RA would be responsible for compiling for the Governor and General Assembly the additional reports required by the proposal. The RA would also be responsible for the detailed budget request prepared by the University of Missouri as well as recommendations to the board regarding fund transfers requested.

ASSUMPTIONS (continued)

DHE assumes these provisions may also affect the higher education institutions, so their responses should also be included.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Research Associate to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **University of Missouri** assume that calculating an exact dollar impact of this proposal is very difficult to accomplish but it is clear that would be great. The following analysis and impact is broken into two parts: the first part comments on the process to increase tuition and the second part on the change in budget preparation.

Process to Increase Tuition - \$50,000 annually plus facilities costs.

The Curators of the University of Missouri have historically approved rates in January at a public Board of Curators meeting that is properly posted. The rationale for any fee increase is made public as well as the rate that is currently in effect and the proposed change. This time frame is six months in advance of the effective date which is summer session. If approved in January, students and their families can plan and the University can build its budget for the next fiscal year.

The administrative costs associated with planning and holding public hearings on each campus, preparing transcripts of the hearings, and receiving, reviewing and preparing copies of all written comments received in response to the notice of the proposed tuition increase, as well as the other documentation specified, could easily require an additional half to full time administrative position or approximately \$25,000 to \$50,000 annually. In addition, there would be facilities costs associated with the hearings.

ASSUMPTIONS (continued)

Budget Preparation - \$1.0 to 2.0 million one-time cost and \$1.2 million annual cost.

The University of Missouri's financial information systems do not have the functionality to prepare budgets detailed to the level specified in the proposal. To achieve this level of detail, the University would need to implement the PeopleSoft budget development module, and to implement position management across all units and commitment accounting in human resources. We estimate the non-recurring outside cost of implementing and maintaining the information systems that allow for this level of budget information is at \$1.0 to \$2.0 million. We also estimate that it would take approximately two years and thousands of hours of the time of existing staff.

Based on the University's experience with position management budgeting in the 70's and early 80's, to create and maintain budgets with this level of detail would require additional budget staff with a higher level of skill on each of the campuses and in system administration. A conservative estimate of four additional budget staff per campus and at the system would result in increased personal service costs of approximately \$1,200,000 (or \$60,000 salary and benefits per budget analyst).

**Oversight** assumes the cost to the University of Missouri would be more than \$1 million for software upgrades and implementation, and more than \$1 million per year for more detailed budget procedures. Oversight has not included these costs in the fiscal note because the proposal would not require a change to any appropriation from any state fund.

Officials from **Truman State University** assume the proposed legislation would add an administrative burden on the institution that is difficult to quantify. Truman State University's Board of Governors has responsibility for establishing tuition and fees for its programs. Traditionally, these rates are established in February, or approximately seven (7) months prior to the start of the next academic year. Input from students including the student representative to the Board and members of the Student Senate is obtained prior to action regarding tuition rates.

Officials from **Missouri Western State College** assume this proposal would create a nominal amount of additional administrative costs for meetings and public hearing notifications, additional recording and transcription costs, and providing additional budget detail.

Officials from **Linn State Technical College** assume this proposal would add administrative costs of \$5,646 in FY 2006, \$6,097 in FY 2007, and \$6,652 in FY 2008.

ASSUMPTIONS (continued)

Officials from the **Metropolitan Community Colleges** assume this proposal would have no impact on their organization.

**Oversight** assumes this proposal would add significant administrative costs to the state's higher education institutions, and would require changes to the budget and appropriation processes for the higher education institutions. Oversight has not included the costs to the state institutions in the fiscal note because the proposal would not require a change to any appropriation from any state fund. Oversight has shown the impact to the community colleges as a cost to Local Governments. Finally, Oversight assumes the impact on organizations other than the Department of Higher Education and the higher education institutions would be nominal and could be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Higher Education</u>			
Personal Service (1 FTE)	(\$23,550)	(\$29,459)	(\$30,195)
Fringe Benefits	(\$10,046)	(\$12,567)	(\$12,881)
Expense and Equipment	<u>(\$6,361)</u>	<u>(\$309)</u>	<u>(\$318)</u>
Total	<u>(\$39,957)</u>	<u>(\$42,335)</u>	<u>(\$43,394)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$39,957)</u></b>	<b><u>(\$42,335)</u></b>	<b><u>(\$43,394)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>COMMUNITY COLLEGES</b>			
<u>Cost - Institutions</u>			
Meetings, publications, etc.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COMMUNITY COLLEGES</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

This proposal would increase the general assembly's fiscal supervision of public higher education institutions.

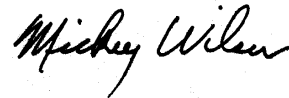
- A. Any Missouri institution of higher education would be required to provide public notice of proposed tuition increases six months in advance of the beginning of the academic year. The institution would be required to hold a public hearing on the proposed tuition increase, and to provide the Coordinating Board for Higher Education with a set of documentation regarding the hearing including a transcript of the hearing, a list of the attendees, any written comments received, an executive summary of the hearing, and relevant board action on the tuition increase. The Coordinating Board of Higher Education would be required to review that information and report the results of its review to the Governor and the General Assembly.
- B. The Board of Curators of the University of Missouri would be required to submit a detailed budget to the Coordinating Board for Higher Education, and appropriations to the University would be detailed by campus, department, college, and program.

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

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SOURCES OF INFORMATION

Department of Higher Education  
University of Missouri  
Truman State University  
Missouri Western State College  
Linn State Technical College  
Metropolitan Community Colleges



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Director  
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