

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3690-01
Bill No.: SB 654
Subject: Higher Education
Type: Original
Date: January 17, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue *	(\$2,140,171)	(\$4,242,747)	(\$6,343,817)
Total Estimated Net Effect on General Revenue Fund *	(\$2,140,171)	(\$4,242,247)	(\$6,343,817)

* subject to appropriation

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The estimated fiscal impact of this legislation to the SOS for Administrative Rules is less than \$1,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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 **Missouri State University, Truman State University, St. Charles Community College,** and **Kansas City Metropolitan Community College,** assume this proposal would have no fiscal impact to their organizations.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer** and the **University of Missouri** did not respond to our request for information.

Officials from the **Department of Higher Education** (DHE) assume the proposed legislation would create the "Associate Degree Transfer Incentive Scholarship Program" to provide scholarships to public 2-year institution graduates continuing their education at public 4-year institutions. DHE would be responsible for promulgating rules and regulations for this program, establishing rules that limit the funds to be used for administrative costs, determining need and dispersing funds to institutions.

The number of associate degrees conferred by the public two-year institutions in Missouri for FY 2005 is 8,397. However, it is difficult to determine the number of eligible recipients who would qualify as the participating institutions' eligibility requirements, which include need, are unknown at this time. In addition, the number of those who would take advantage of this program is also unknown. Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2007 that a minimum of 2,099 (25% of those receiving associate degrees) students qualify for this program.

At the minimum award amount of \$1,000 per student, the first year of grants would total \$2,099,000. For subsequent years the cost rises exponentially to account for returning students. Therefore, in FY 2008 the total would double to \$4,198,000 and in FY 2009 the total would triple to \$6,297,000 to include the returning students and a group of new students. Since the bill allows for a maximum of four years it is possible to reach a cost of \$8,396,000 in FY 2010.

According to the legislation, the number of recipients is not capped and may exceed 2,099, which could increase the costs in any given fiscal year. It is likely that as more students become aware of this scholarship, the number of those taking advantage of it will increase. In addition, the award amount of \$1,000 is not capped at this level, rather this is the minimum amount. Any increase in the number of recipients or award amount would result in a larger fiscal cost.

DHE assumes that 1.0 FTE Research Associate position at an estimated salary of \$35,000 plus associated expense and equipment would be needed beginning in FY 2007. This Research Associate would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

ASSUMPTION (continued)

Information provided by the Department of Higher Education indicated that 2,272 associate degree recipients enrolled at four-year institutions in FY 2005; however, information was not available as to the number of students who might be eligible for this program.

Oversight has, for fiscal note purposes only, changed the starting salary for the new position to correspond to the second 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 for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted expense and equipment estimates in accordance with Office of Administration budget guidelines. Oversight assumes that no more than 2,100 additional students per year would qualify for and receive the scholarships, and that the program would be implemented at the minimum award amount of \$1,000.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Cost - Department of Higher Education</u>			
Personal Service (1 FTE)	(\$23,550)	(\$29,459)	(\$30,195)
Fringe Benefits	(\$10,376)	(\$12,979)	(\$13,304)
Expense and Equipment	(\$6,245)	(\$309)	(\$318)
Scholarships *	<u>(\$2,100,000)</u>	<u>(\$4,200,000)</u>	<u>(\$6,300,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	<u>(\$2,140,171)</u>	<u>(\$4,242,747)</u>	<u>(\$6,343,817)</u>
* subject to appropriation			

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

This proposal would create an "Associate Degree Transfer Incentive Scholarship Program" for Missouri. A separate fund would be established for the program and administered by the State Treasurer. The Coordinating Board for Higher Education would establish the program, and any moneys appropriated by the general assembly for this program would be distributed to participating public four-year Missouri colleges or universities to provide scholarships for citizens of this state who transfer from a public Missouri community college to a participating public four-year Missouri college or university under the provisions of this section.

The Coordinating Board for Higher Education would promulgate rules to implement the provisions of this section. A student would be eligible for a scholarship if the student completed an associate of arts degree, or another degree that contained forty-two credit hours of general education core curriculum, at a community college or other two-year institution located in Missouri and recognized by the department of higher education to confer associate degrees.

Funds for the program would be distributed to participating institutions on a pro rata basis according to the number of eligible two-year transfer students at each institution. Individual public four-year Missouri colleges or universities could apply to the Coordinating Board for Higher Education for funds to offer scholarships under this program.

Participating institutions would establish additional eligibility requirements, and would establish performance standards that provide for continuation of the scholarship for a minimum of two years and a maximum of four years, and a minimum annual scholarship level of one thousand dollars. Each institution offering a scholarship under this section would develop and publish application procedures, deadlines, award amounts, and any other features unique to the receiving institution. The primary criterion would be need. Scholarships could be pro-rated for part-time students. Each institution would submit an annual report of the use and distribution of such scholarship funds to the general assembly, with such report subject to audit. The Coordinating Board for Higher Education would establish by rule a limit on funds to be used for administrative costs and a method of determining need.

DESCRIPTION (continued)

The provisions of this program would automatically sunset six years after the effective date of this proposed legislation unless reauthorized by an act of the General Assembly; and if such program is reauthorized, the program would automatically sunset twelve years after the effective date of the reauthorization of this section; and the program would terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset.

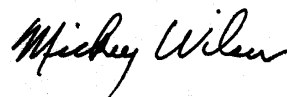
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Higher Education
Missouri State University
Truman State University
Kansas City Metropolitan Community College
St. Charles Community College

NOT RESPONDING

**Office of the State Treasurer
University of Missouri**



Mickey Wilson, CPA
Director
January 17, 2006