

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3520-01
Bill No.: SB 846
Subject: Education, Higher; Higher Education Department
Type: Original
Date: February 6, 2008

Bill Summary: This proposal modifies the laws relating to higher education scholarships.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$1,378,860 to Greater than \$10,523,860)	(\$2,689,157 to Greater than \$20,977,157)	(\$3,980,079 to Greater than \$31,412,079)
Total Estimated Net Effect on General Revenue Fund	(\$1,378,860 to Greater than \$10,523,860)	(\$2,689,157 to Greater than \$20,977,157)	(\$3,980,079 to Greater than \$31,412,079)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Department of Higher Education	1 FTE	1 FTE	1 FTE
Office of the State Treasurer	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 160.545 A+ Schools Program

Officials at the **Department of Higher Education (DHE)** assume this legislation expands the A+ program, which will not impact the DHE.

Ranken annually averages 200 first-time students from Missouri. If half of these Missouri students are eligible for A+ reimbursements, 100 additional A+ awards will be given each year. The legislation specifies that the tuition reimbursement shall not exceed the tuition charged by the community college. The fall 2006 tuition and fee rate for St. Louis Community College (Ranken's local community college district) is \$2340 in-district and \$3090 out-of-district. Assuming that half of the students are in-district and half out-of-district, the total cost per year is \$271,500, or \$543,000 for these students to receive an associate degree (two-year program).

Officials at the **Department of Elementary and Secondary Education (DESE)** state that as of July 1, 2007, there were 231 high schools designated A+ out of 565 high schools. It is unknown how many A+ students currently attend the institutions described in this proposal or how many may attend if the legislation should pass.

In addition, allowing private institutions to participate in the A+ program would require the entire A+ program to move to an IFB (invitation for bid) process in order to comply with the provisions of Chapter 34 RSMo. The IFB process would require at least 1.0 FTE supervisor.

Officials at the **University of Central Missouri (UCM)** assume each year, approximately 30-50 students that are admitted to the UCM, elect to utilize the A+ program at their local community college. Over a four year period of time, a loss of 30-50 first year students results in a potential revenue decrease of between \$673,000 and \$1,100,000 based on 2007 tuition levels.

Oversight assumes that this proposal is expanding the existing A+ program to allow students to attend private vocational and technical schools instead of the current public only schools. For the private school to participate the school must meet certain requirements. Oversight assumes that few private schools will meet the rigorous requirements to be eligible for participation. Oversight assumes that the Department of Elementary and Secondary Education can absorb the cost of monitoring the additional schools with existing resources.

ASSUMPTION (continued)

Section 173.272 Community College Associate Degree Transfer Incentive Program Fund

Officials at the **Department of Higher Education (DHE)** assume the proposed legislation would also create the "Community College Associate Degree Transfer Incentive Program Fund" to provide scholarships to public two-year institution graduates continuing their education at public or private four-year institutions. The DHE would be responsible for promulgating rules and regulations for this program, establishing performance standards that provide for the continuation of the scholarship, developing all procedures associated with operating the program, and disbursing funds to institutions.

The number of associate degrees conferred by the public two-year institutions in Missouri for FY 2006 was 8,129. 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 2008 that a minimum of 2,032 (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 \$2,032,000. For subsequent years the cost rises exponentially to account for returning students. Therefore, in FY 2009 the total would double to \$4,064,000 and triple in FY 2010 to \$6,096,000 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 \$8,128,000 in FY 2011.

According to the legislation, the number of recipients is not capped at 2,032 and therefore may exceed 2,032, 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. Therefore any increase in the number of recipients or award amount would result in a larger fiscal cost.

DHE would need 1.0 FTE of a Research Associate at an estimated salary of \$35,000 plus associated expense and equipment in FY 2008. 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.

Officials at the **University of Central Missouri (UCM)** assume the Community College Associate Degree Transfer Incentive Program could potentially provide scholarship support to a

ASSUMPTION (continued)

large number of transfer students at UCM. Analysis based on Fall 2007 enrollment figures indicates that 283 (33%) of the 845 new transfer students had high-need (EFC scores between 0-3850). While not all of these students had completed Associate of Arts degrees and would be eligible to receive the scholarship, it is anticipated that the Incentive Program would provide scholarship support in the amount of \$100,000 to \$150,000 per year to transfer students at the UCM. Over the course of three years, the scholarship could potentially provide between \$300,000 to \$450,000 in scholarship support to new transfer students.

Oversight assumes that it is difficult to determine the total number of students who would be eligible for this program or the amount of tuition those students pay. Oversight assumes that since 50% of all schools are A+ schools then 50% of all students at Community College came from A+ schools. Oversight assumed for the purposes of this fiscal note that at least 25% of the 50% of Community College students would qualify for this program with a minimum award of \$1,000 to a maximum amount (using the average award of \$10,000). Oversight recognizes that the cost of this program could be greater if the number of students is greater than 25%.

Officials at the **Office of the State Treasurer (STO)** state they only ensure the disbursements are made from a lawful appropriation and don't exceed the amount of the appropriation. STO suggests the following wording change: " The state treasurer shall be custodian of the fund. In accordance with Sections 30.170 and 30.180 RSMo, the state treasurer may approve disbursements." If the wording isn't changed, STO will need an FTE (Accounting Specialist I - \$39,124 plus \$16,914 fringe = \$56,040) to monitor these disbursements. (This will be allocated proportionately as a retention of interest earnings on state funds in accordance with Section 30.605 RSMo).

Officials at the **Department of Revenue, University of Missouri, Metropolitan Community College, Lincoln University, Missouri State University** and the **Linn State Technical College** assume that there is no fiscal impact from this proposal for their institutions.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs - Department of Higher Education</u>			
A+ Scholarships	(Greater than \$271,500)	(Greater than \$543,000)	(Greater than \$814,500)
<u>Costs - Department of Higher Education</u>			
Transfer Incentive Program	(\$1,016,000 to \$10,160,000)	(\$2,032,000 to \$20,320,000)	(\$3,048,000 to \$30,480,000)
<u>Costs - DHE</u>			
Personal Service	(\$30,042)	(\$37,132)	(\$38,245)
Fringe Benefits	(\$13,285)	(\$16,420)	(\$16,912)
Expenses & Equipment	<u>(\$250)</u>	<u>(\$309)</u>	<u>(\$318)</u>
<u>Total Costs - DHE</u>	(\$43,577)	(\$53,861)	(\$55,475)
FTE Change - DHE	1 FTE	1 FTE	1 FTE
<u>Costs - State Treasurer's Office</u>			
Personal Service	(\$33,583)	(\$41,509)	(\$42,754)
Fringe Benefits	<u>(\$15,200)</u>	<u>(\$18,787)</u>	<u>(\$19,350)</u>
<u>Total Costs - State Treasurer's Office</u>	(\$48,783)	(\$60,296)	(\$62,104)
FTE Change - STO	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,378,860 to Greater than \$10,523,860)</u>	<u>(\$2,689,157 to Greater than \$20,977,157)</u>	<u>(\$3,980,079 to Greater than \$31,412,079)</u>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<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 modifies the laws relating to higher education scholarships.

Current law provides that only public community colleges and public vocational or technical schools may receive A+ Schools Program reimbursements. This act would allow any two-year public or private vocational or technical school to obtain A+ Schools Program reimbursements that meets the following requirements: the school must be a member of the North Central Association and be accredited by the Higher Learning Commission; be designated as a 501(c)(3) non-profit organization; cannot receive tuition reimbursements in excess of the tuition rate charged by public community colleges for course-work offered by private vocational or technical colleges within the service area of the school; and reimbursements provided must not violate provisions of Article IX, section 8, or Article I, section 7 of the Missouri Constitution, or the First Amendment of the United States Constitution. These new requirements shall not apply to public institutions currently receiving A+ reimbursement.

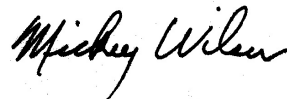
This act creates the "Community College Associate Degree Transfer Incentive Program" to be administered by the Coordinating Board for Higher Education. This program will distribute scholarship money to students at public or private four-year Missouri colleges or universities who graduated from a public Missouri community college or two-year institution and who has transferred to a public or private four-year Missouri college or university. Further eligibility criteria are described therein. The coordinating board must develop performance standards for the program and must submit an annual report to the General Assembly.

This act also creates the "Community College Associate Degree Transfer Incentive Program Fund" in the state treasury. The program will sunset in six 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
Department of Revenue
Office of the State Treasurer
Metropolitan Community College
Linn State Technical College
University of Missouri
Missouri State University
Lincoln University
University of Central Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
February 6, 2008