

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2236-01
Bill No.: SB 558
Subject: Education, Higher; Higher Education Department; Elementary and Secondary Education Department; Elementary and Secondary Education; General Assembly; Governor and Lt. Governor
Type: Original
Date: March 10, 2009

Bill Summary: This proposal establishes the Missouri Promise Program to provide scholarship to students attending certain public and private higher education institutions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$20,079,355)	(\$48,486,471)	(\$55,638,883)
Total Estimated Net Effect on General Revenue Fund	(\$20,079,355)	(\$48,486,471)	(\$55,638,883)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Lottery Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Dept. of Elementary and Secondary Education	(1.5 FTE)	(1.5 FTE)	(1.5 FTE)
Dept. of Higher Education	1.5 FTE	1.5 FTE	1.5 FTE
Total Estimated Net Effect on FTE	0 FTE	0 FTE	0 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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Missouri Department of Higher Education (MDHE)** assume Section 173.268 of this bill would create Missouri Promise, a new financial aid program that would be administered by the MDHE. The program contains two components: one that would expand the current A+ scholarship program to allow students who graduate from any Missouri public high school and who meet other criteria to receive awards, and one that would allow students who receive certain associate's-level degrees using the A+ scholarship or the Missouri Promise scholarship to receive a scholarship for their third and fourth years at a public four-year institution of higher education (this portion of the program is sometimes referred to as a "completer scholarship").

MDHE would be required to perform new duties to implement the A+ expansion portion of the bill, including:

- Developing regulations to implement the program (§ 173.268.2);
- Establishing scholarships for use at public community colleges or vocational or technical schools or, within certain limits, two-year private vocational or technical schools (§ 173.268.2);
- Ascertaining whether applicants for the scholarships meet specific eligibility criteria to receive initial awards (§ 173.268.2);
- Ascertaining whether applicants for the scholarships meet specific eligibility criteria to receive renewal awards (§ 173.268.2); and
- Determining at which institutions students may receive awards under this program (§ 173.268.7).

MDHE would be required to perform new duties to implement the completer scholarship portion of the bill, including:

- Determining what "average tuition" is, as defined by statute (§ 173.268.3 or 4);
- Developing regulations to implement the program (§ 173.268.4);
- Establishing a procedure for the provision of scholarships (§ 173.268.4);
- Ascertaining the appropriate amount of each student's scholarship (§ 173.268.4);
- Ascertaining whether applicants for the scholarships meet specific eligibility criteria to receive initial awards (§ 173.268.5); and
- Ascertaining whether applicants for the scholarships meet specific eligibility criteria to receive renewal awards (§ 173.268.5).

In addition, MDHE would be required to:

- Reprogram the software it uses to administer financial aid programs, FAMOUS;

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ASSUMPTION (continued)

Update its publications to include information about the new program;
Provide training to financial aid officers about the new program;
Provide customer service to students, parents, high school guidance counselors, college and university financial aid officers, and other stakeholders;
Develop annual funding requests for the program;
Develop a procedure for evaluating the effectiveness of the Missouri Promise program (§ 173.268.9);
Conduct biannual reviews of the Missouri Promise Program (§ 173.268.9); and
Provide the results of biannual reviews to the governor, the speaker of the house, and the president pro tem of the senate (§ 173.268.9).

Resources required for administration of the program:

MDHE assumes that it would require \$170,000 in FY 2010 to reprogram FAMOUS to accommodate this new program. This estimate is based on the amount required to reprogram FAMOUS to accommodate the Access Missouri program in 2007.

MDHE assumes that it would require at least as many staff persons to administer Missouri Promise as DESE required to administer the A+ scholarship program. The Governor's executive budget indicates that 1.5 FTE would be transferred from DESE to the MDHE for administration of this program. The MDHE would need DESE's 1.5 FTE and would use an existing .5 FTE already in the MDHE's budget to administer this program. The MDHE would be required to purchase equipment for 2 new FTE.

Resources required for FY 2010 scholarships:

MDHE estimates that if this bill does not pass, the total cost of the A+ scholarship program for FY 2010 would be \$21,765,855. MDHE estimates that if this bill passes and qualified students from all Missouri public high schools could receive scholarships under Missouri Promise, the total cost of the two-year portion of the program would increase by \$3,482,537, for a total cost of \$25,248,392.

This estimate is based on the following assumptions:

The number of students who would participate in A+ will increase by 19.5% each year.

This estimate is based on actual and projected growth in the A+ program between FY 07 and FY 10.

The average community college tuition reimbursement amount for FY 10 will be \$2,665.

This estimate was calculated based on DESE's estimate for the total program cost, divided by the number of awards anticipated.

Pell and Access Missouri awards are deducted when determining Missouri Promise

ASSUMPTION (continued)

awards.

Currently 68% of high school graduates are from A+ high schools. Under this bill, qualifying students from all Missouri public high schools would be able to receive initial awards (that is, first-year students could receive Missouri Promise awards regardless of where they went to high school). Second-year students would still have had to have gone to an A+ high school. The MDHE assumes that half of the students currently receiving A+ awards are first-year students and half are second-year students.

Completer scholarship:

MDHE estimates that approximately 4,460 students at four-year institutions would receive Missouri Promise awards in FY 10, and that the total cost of the four-year institution portion of the Missouri Promise program for FY 10 would be \$19,960,129.

This estimate is based on the following assumptions:

Only students who complete two-year degrees in 2009 and who received A+ awards will be eligible to receive Missouri Promise scholarships in FY 10. This means that only students in their third year of postsecondary education will be able to receive Missouri Promise scholarships in FY 10.

75% of students who received A+ and completed associates degrees will go on to a four-year institution and receive Missouri Promise.

Awards will be set at \$6,303.51. This estimate is based on the fact that Missouri Promise scholarships are limited to public four-year colleges and universities, with tuition reimbursement capped at the average public four-year school tuition and fees, currently \$6,303.51. MDHE assumes that public four-year institutions' tuition will not increase for FY 10.

Pell and Access Missouri awards are deducted when determining Missouri Promise awards.

Total Additional FY 10 Scholarship Cost for Both Portions of the Bill:

$\$25,248,392 + \$19,960,129 - \$25,313,326$ (core FY 10 appropriation for A+) = \$19,895,195.

Resources required for FY 2011 scholarships:

MDHE estimates that if this bill does not pass, the total cost of the A+ scholarship program for FY 11 would be \$24,027,918. MDHE estimates that if this bill passes and qualified students from all Missouri public high schools could receive scholarships under Missouri Promise, the total cost of the two-year portion of the program would increase by \$7,688,934, for a total cost of \$31,716,852.

ASSUMPTION (continued)

This estimate is based on the same assumptions as in FY 2010 with the additional following assumptions:

Award amounts would increase by approximately 5.5% annually.

MDHE assumes that the cost of giving students who would receive A+ scholarships if the statute does not change should be increased by 138% to determine the cost of this portion of Missouri Promise for FY 11.

Completer scholarship:

MDHE estimates that approximately 9,099 students at four-year institutions would receive Missouri Promise awards in FY 11, and that the total cost of the four-year institution portion of the Missouri Promise program for FY 11 would be \$42,082,290.

This estimate is based on the same assumptions as in FY 2010 with the additional following assumptions:

Students in their third and fourth years of postsecondary education will be able to receive Missouri Promise scholarships in FY 11.

Tuition amounts and therefore, award amounts would increase by approximately 3% annually.

Total Additional FY 2011 Scholarship Cost for Both Portions of the Bill:

$\$31,716,852 + \$42,082,290 - \$25,313,326$ (Core FY 10 Appropriation for A+) = \$48,485,816.

Resources required for FY 2012 scholarships:

MDHE estimates that if this bill does not pass, the total cost of the A+ scholarship program for FY 12 would be \$26,835,287. MDHE estimates that if this bill passes and qualified students from all Missouri public high schools could receive scholarships under Missouri Promise, the total cost of the two-year portion of the program would increase by \$8,587,292, for a total cost of \$35,422,579. (This estimate is based on the same assumptions as in FY 2011.)

Completer scholarship:

MDHE estimates that approximately 9,374 students at four-year institutions would receive Missouri Promise awards in FY 12, and that the total cost of the four-year institution portion of the Missouri Promise program for FY 12 would be \$45,528,955. (This estimate is based on the same assumptions as in FY 2011.)

Total Additional FY 2012 Scholarship Cost for Both Portions of the Bill:

$\$35,422,579 + \$45,528,955 - \$25,313,326$ (Core FY 10 Appropriation for A+) = \$55,638,208.

ASSUMPTION (continued)

Officials at the Department of Elementary and Secondary Education (DESE) assume this proposal appears to transfer the administration of the A+ scholarship program from DESE to MDHE. In FY 2008, the department expended \$16,683,504 from the Lottery Funds and \$3,373,445 from general revenue funds to fund the A+ scholarship programs. The transfer of the program would likely present our department with a savings.

Officials at the **Metropolitan Community College** assume a loss of 10% of the A+ students currently attending which would be a loss of \$330,000 a year.

Officials at the **Missouri State University** assume the impact is unknown.

Officials at the **Lincoln University** assume a possible impact due to increased enrollment resulting from increased financial aid assistance for students.

Officials at the **University of Central Missouri** assume a savings of \$166,000 annually as they would no longer need to offer a transfer scholarship to students. Additionally a loss of \$2.4 to \$4.8 million from lost tuition due to students choosing to enroll in 2 year schools instead of a 4 year University.

Officials at the **Missouri Southern State University, Linn State Technical College** and the **Missouri Western State University** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Oversight assumes that Executive Order 09-09 will go into effect on August 28, 2009, transferring the A+ program, including staff and scholarship money, from the Department of Elementary and Secondary Education to the Department of Higher Education. Since this legislation is to go into effect on the same day Oversight have shown the transfer of staff and scholarship money in the fiscal note.

Oversight has used the FY 2010 DESE budget request figures to show the transfer of the A+ scholarship money from the Lottery Fund and General Revenue at DESE to the Department of Higher Education.

Oversight assumes that all A+ scholarship money transferred to the Department of Higher Education will be used for the Missouri Promise Program. Oversight has shown the additional money needed for the expanded program.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOTTERY FUND			
<u>Savings - DESE</u>			
current A+ scholarship money	\$21,859,448	\$21,859,448	\$21,859,448
<u>Transfer Out - to MDHE</u>			
current A+ scholarship money	(<u>\$21,859,448</u>)	(<u>\$21,859,448</u>)	(<u>\$21,859,448</u>)
ESTIMATED NET EFFECT ON LOTTERY FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GENERAL REVENUE			
<u>Cost - Department of Higher Education</u>			
FAMOUS computer upgrades	(\$170,000)	\$0	\$0
<u>Transfer Out - DESE</u>			
Personal Services	(\$43,028)	(\$53,183)	(\$54,778)
Fringe Benefits	(<u>\$20,925</u>)	(<u>\$25,863</u>)	(<u>\$26,639</u>)
<u>Total Transfer Out - DESE</u>	(\$63,953)	(\$79,046)	(\$81,417)
FTE Change - DESE	(1.5 FTE)	(1.5 FTE)	(1.5 FTE)
<u>Transfer In - Dept. of Higher Education</u>			
Personal Services	\$43,028	\$53,183	\$54,778
Fringe Benefits	(<u>\$20,925</u>)	(<u>\$25,863</u>)	(<u>\$26,639</u>)
<u>Total Cost - MDHE</u>	\$63,953	\$79,046	\$81,417
FTE Change - MDHE	1.5 FTE	1.5 FTE	1.5 FTE
<u>Cost - Dept. of Higher Education</u>			
Expense and Equipment costs	(\$14,160)	(\$655)	(\$675)
<u>Transfer Out - DESE</u>			
current A+ scholarship money	(\$3,453,878)	(\$3,453,878)	(\$3,453,878)
<u>Transfer In - Lottery Funds to MDHE</u>			
current A+ scholarship money	\$21,859,448	\$21,859,448	\$21,859,448

<u>Transfer In - from DESE to MDHE</u>			
current A+ scholarship money	\$3,453,878	\$3,453,878	\$3,453,878
 <u>Cost - Dept. of Higher Education</u>			
current A+ scholarship money	(\$25,313,326)	(\$25,313,326)	(\$25,313,326)
 <u>Cost - Department of Higher Education</u>			
additional scholarship money needed	<u>(\$19,895,195)</u>	<u>(\$48,485,816)</u>	<u>(\$55,638,208)</u>
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(\$20,079,355)</u>	 <u>(\$48,486,471)</u>	 <u>(\$55,638,883)</u>
 Estimated Net FTE Change on General Revenue	0 FTE	0 FTE	0 FTE
 <u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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 creates the Missouri Promise Program within the Department of Higher Education, which is designated as the successor program to the A+ Schools reimbursements.

SCHOLARSHIPS FOR TWO-YEAR POST-SECONDARY SCHOOLS: The Commissioner of Higher Education will establish scholarships for use at public community colleges or vocational or technical schools. Scholarships may also be used at a two-year private vocational or technical school that meets certain requirements, as described in the act. The scholarship amount will be based on the cost of tuition and fees at public community colleges, vocational, or technical schools. To qualify for a scholarship, a student must: have attended a public high school in Missouri for at least three years prior to graduation; have made a good faith effort to secure other sources of funding; have earned a GPA of 2.5 on a 4.0 scale in high school; be enrolled full time at a public community college, public vocational school, public technical school, or private vocational or technical school, as described in the act; and maintain a grade point average of 2.5 on a 4.0 scale while enrolled and receiving a scholarship.

FISCAL DESCRIPTION (continued)

SCHOLARSHIP FOR FOUR-YEAR SCHOOLS: The Commissioner of Higher Education will establish scholarships beginning in academic year 2009-2010 for certain public four-year institutions, as described in the act, for students who previously received a scholarship under the A+ Schools Program during the 2008-2009 academic year, previously received a scholarship to a two-year school under this act, or completed a designated Associate's Degree and enrolls in an approved institution within nine months of completion. Additional eligibility requirements include: a good faith effort to first secure other sources of funding; maintaining full-time enrollment; and maintaining a 3.0 GPA on a 4.0 scale while receiving the scholarship. A student cannot receive a scholarship for more than six semesters.

If a student has a grade point average that falls below a 3.0 on a 4.0 scale, the student will be granted a one semester grace period. The student will lose eligibility if the student cannot subsequently raise his or her GPA to a 3.0.

Scholarships under this section will be subject to appropriation. If appropriations are insufficient to provide scholarships for all eligible students, scholarships to students attending two-year schools must be fully funded before scholarships can be distributed to students attending four year schools. In addition, scholarship amounts can be prorated if necessary.

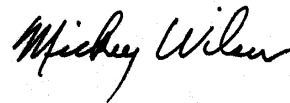
The Commissioner of Higher Education must develop a procedure for evaluating the effectiveness of this program, which will be conducted biannually. The results of the evaluation must be sent to the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate.

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
Metropolitan Community College
Missouri State University
Lincoln University
Office of the Secretary of State
Missouri Southern State University
Linn State Technical College
Missouri Western State University
University of Central Missouri



Mickey Wilson, CPA
Director
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