

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2236-03
Bill No.: SCS for 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 27, 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	(\$20,208,242)	(\$42,161,991)	(\$45,611,047)
Total Estimated Net Effect on General Revenue Fund	(\$20,208,242)	(\$42,161,991)	(\$45,611,047)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 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 Higher Education	(1.5 FTE)	(1.5 FTE)	(1.5 FTE)
Total Estimated Net Effect on FTE	(1.5 FTE)	(1.5 FTE)	(1.5 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.

MDHE would be required to perform new duties 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).
- 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).

The MDHE's estimate of the cost of the scholarships is based on the following assumptions:

- DESE will continue to administer the A+ scholarship program and that the \$25,321,524 core appropriation currently allocated to the A+ scholarship program will not be used to fund any scholarships under Missouri Promise.
- The number of students who will 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.
- Pell and Access Missouri awards are deducted when determining Missouri Promise awards.
- 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

ASSUMPTION (continued)

students in their third year of postsecondary education will be able to receive Missouri Promise scholarships in FY 10. In FY 11 and beyond, students in their third and fourth years of study will be eligible to receive Missouri Promise awards.
75% of students who receive A+ and complete associates degrees will go on to a public four-year institution and receive Missouri Promise.

MDHE assumes award amounts will be calculated consistently with the following principles:
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, \$6,303.51 for FY 09.
Public four-year institutions' tuition will not increase for FY 10 and will increase at approximately the rate of inflation each year thereafter. The rate of inflation is estimated to be 3% per year.

The MDHE assumes that it will require \$170,000 in FY 10 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.

The MDHE assumes that it would require 1.5 FTE for administration of this program. The MDHE would hire an additional 1.5 FTE at the Research Associate II level 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. The MDHE assumes that these FTE would be hired at the low end of the pay range for Research Associate II, starting at an annual salary of \$33,420.

Officials at the **Department of Elementary and Secondary Education, Missouri Southern State University, Linn State Technical College, St. Louis Community College, University of Missouri** and the **Missouri Western State University** assume that there is no fiscal impact from this proposal.

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

Officials at the **University of Central Missouri** assume a saving of \$166,000 since they would no longer need to offer a transfer scholarship. However, they project a loss of tuition as students may choose to enroll in a two year school instead of a four year.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Department of Higher Education</u>			
FAMOUS computer upgrades	(\$170,000)	\$0	\$0
<u>Cost - Dept. of Higher Education</u>			
Personal Services	(\$43,028)	(\$53,183)	(\$54,778)
Fringe Benefits	(\$20,925)	(\$25,863)	(\$26,639)
Equipment and Expenses	(\$14,160)	(\$655)	(\$675)
<u>Total Cost - Dept. of Higher Ed</u>	(\$78,113)	(\$79,701)	(\$82,092)
FTE Change - Dept of Higher Ed	(1.5 FTE)	(1.5 FTE)	(1.5 FTE)
<u>Cost - Department of Higher Education</u>			
scholarship money needed	(\$19,960,129)	(\$42,082,290)	(\$45,528,955)
ESTIMATED NET EFFECT ON			
GENERAL REVENUE	<u>(\$20,208,242)</u>	<u>(\$42,161,991)</u>	<u>(\$45,611,047)</u>
Estimated Net FTE Change on General Revenue	(1.5 FTE)	(1.5 FTE)	(1.5 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.

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
Office of the Secretary of State
Missouri Southern State University
Linn State Technical College
Missouri Western State University
St. Louis Community College
University of Missouri
Lincoln University
University of Central Missouri



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March 27, 2009