

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4233-05
Bill No.: HCS for SB 455
Subject: Education, Higher; Higher Education Department; Boards, Commissions, Committees, Councils; Governor and Lt. Governor; General Assembly; Elementary and Secondary Education Department
Type: Original
Date: March 28, 2012

Bill Summary: This proposal modifies duties prescribed to the Coordinating Board for Higher Education and modifies provisions relating to proprietary schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$0

***Offsetting Savings and Loss expected to exceed \$100,000 annually**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Universities	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)
Proprietary School Certification Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)

***Offsetting Income and Cost expected to exceed \$100,000 annually.**

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- 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 2013	FY 2014	FY 2015
Local Government	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** stated this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of the Governor** and the **Missouri House of Representatives** stated there should be no fiscal impact to their respective agencies.

§173.005 & 173.040 - Coordinating Board for Higher Education

Officials from the **Department of Higher Education (DHE)** state this proposal would create several new duties for the Coordinating Board for Higher Education (CBHE).

§173.005.2(6) The CBHE would require all public two-year and four-year higher education institutions to replicate best practices in remediation and identify and reduce methods that have been found to be ineffective in preparing or retaining students or which delay students' enrollment in college-level courses.

§173.005.2(8) Would prescribe that the CBHE require all public two-year and four-year institutions to create a statewide core-transfer library of at least 25 lower division courses. The same section would require the DHE. to develop a policy to foster reverse transfer for students accumulating enough hours in combination with at least one public four-year and one public two-year institution to satisfy the requirements for an associate degree.

§173.040.(6) Would require the CBHE to annually report on the progress of its duties under §173.005.02(6) and §173.005.2(8), as well as campus-level progression, retention and completion metrics consistent with performance-funding goals.

DHE states it is currently operating at capacity with its existing resources. The completion of these duties, in addition to the current duties of the CBHE, would require additional resources. DHE does, however, anticipate receipt of external funding to address the need for additional resources created by the proposed legislation, so DHE does not anticipate that this proposal will have a fiscal impact on their agency.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** state that in order to bring the Missouri Assessment Program’s End-of-Course testing program into alignment with the content reflected in the Standards, DESE suggests the additional development of End-of-Course exams and the reinstatement of the Performance Events in the Missouri Assessment Program.

FY 2013	Reinstatement of Performance Events into Operational Testing	\$1,036,950
FY 2013	Addition of 4 End of Course Activities	<u>\$ 388,000</u>
	Total	\$1,424,950
FY 2014	Reinstatement of Performance Events into Operational Testing	\$ 765,239
FY 2014	Addition of 4 End of Course Activities	<u>\$ 490,000</u>
	Total	\$1,255,239
FY 2015	Reinstatement of Performance Events into Operational Testing	\$ 788,196
FY 2015	Addition of 4 End of Course Activities	<u>\$ 884,000</u>
	Total	\$1,672,196

DESE states there is not an existing contract with a vendor for administration of the 3-8 testing program beyond the 2012-2013 school year. These costs are estimates based on the pricing increases observed in the current contract. FY 2015 will be the potential first year for the administration of the Consortium assessments. Costs provided do not reflect costs from the SMARTER Balance Assessment Consortium. Costs are based on existing contracts.

Oversight assumes the costs reflected are a suggested and are not specifically required by the proposed legislation in §173.005.2 (8).

Officials from **Colleges and Universities** responded as follows:

Northwest Missouri State University

It is difficult to determine what fiscal impact this proposal would have because the “best practices” for remedial education have not been developed.

Missouri State University (MSU)

§173.005.2 (6) Selective and Highly Selective admissions institutions currently are not required to offer remedial courses thus MSU may not be affected by these changes. If the proposal refers

ASSUMPTION (continued)

to "all" four-year institutions, then Missouri State would have to develop and offer such courses and expenses for development, instructors, and instructional space related to a yet to be determined number of courses would be incurred.

§173.005.2 (8) Statewide general education transfer articulation currently exists. Collaborative effort to develop specific general education courses is ongoing. There could be undetermined costs involved with, developing, staffing, and maintaining those specific courses. MSU assumes the proposed changes in reverse transfer would seem to have impact on two-year institutions.

Missouri Western State University (MWSU)

§173.005.2 (6) Replicating best practices may result in space and technical equipment adjustments, software expenses, increased staff costs, professional development and training for assigned staff, and/or increased staff costs in academic support centers. The projected costs to Missouri Western State University could exceed \$100,000 annually.

§173.005.2 (8) MSWU officials state it is unclear whether the reference to all institutions includes all public or all public, private, for-profit and proprietary institutions operating in Missouri. The complexity of coordinating among "all" institutions will require multiple meetings and potentially some course adjustments or development to meet the intent of the proposed provision. The potential cost for individual institutions is difficult to determine.

Missouri Western is currently working on a reverse transfer option with two community colleges. This process is projected to require one additional staff person in both the Registrar and Admissions offices and require significant training for information technology staff to deal with non-compatible administrative systems. Projected annual costs are estimated at \$100,000.

Linn State Technical College

The proposal has an unknown fiscal impact on Linn State Technical College.

In response to the introduced version of this proposal (SB 455 - FN 4233-03) responses were received from the following colleges and universities:

Missouri Southern State University

Fiscal impact is indeterminate at this time.

ASSUMPTION (continued)

University of Missouri System

Officials from the University of Missouri state this proposed legislation would have no fiscal impact on the University of Missouri System.

University of Central Missouri (UCM)

§173.005.2 (8) Compliance with the proposed revision would require UCM faculty members to meet and work with faculty members from other public institutions beyond the current level of work on transfer and articulation. Given the expectation of a reasonable mix of face-to-face, teleconference, and web-based conference meetings, officials estimate UCM's one-time travel and communication expenses to be \$5,000 to \$8,000. This does not include the assignment of any cost to the faculty and administrative time that would be required to complete the process.

Saint Louis Community College

§173.005.2 (6) Officials state they are unable to estimate costs until they learn of the resulting programs.

Kansas City Metropolitan Community College

This proposed legislation would require the Kansas City Metropolitan Community College to increase funding for its Institutional Research Office, increase efforts to formulate articulation agreements with the four-year sector, as well as to increase funding to address the necessary changes in remedial education. These increases are unknown at this time, but would likely be significant.

§173.608 & 173.612 - Proprietary Schools

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Office of State Treasurer** state this proposal will have no fiscal impact on their agency.

Officials from the **Office of Prosecution Services (OPS)** assume there will be no measurable fiscal impact to OPS.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to HCS/HB 1722 (5683-02), officials from the **Office of Attorney General** assumed that any potential costs arising from this proposal can be absorbed with existing resources.

Also in response to HCS/HB 1722 (5683-02), officials from the **Department of Corrections (DOC)** stated the penalty provisions for violations, the component of the proposed legislation to have potential fiscal impact for DOC, is for a class A misdemeanor. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY11 average of \$5.12 per offender, per day or an annual cost of \$1,869 per offender).

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Department of Higher Education (DHE)** state the provisions contained in this proposed legislation would direct proprietary certification fees paid to the DHE into a designated fund in the state treasury to be used to fund the proprietary certification program.

ASSUMPTION (continued)

DHE anticipates that the provision would negate the need for a General Revenue appropriation to DHE for the proprietary certification program and would have no fiscal impact on the state's general revenue.

Oversight assumes the appropriation from General Revenue for proprietary schools administration was \$124, 866 in FY 11, \$137, 433 in FY 12 and \$137,433 projected for FY 13. The average annual revenue generated by the collection of certification fees for the last three years was \$146,455.

Oversight assumes the fee structure for proprietary school certification, including the increase outlined in the proposed legislation, will offset the current appropriation from General Revenue.

Officials from the Office of Lt. Governor did not respond to a request for fiscal impact.

This proposal was also sent to the following colleges and universities who did not respond to a request for fiscal impact: Crowder College, East Central College, Harris-Stowe University, Jefferson College, Lincoln University, Mineral Area College, Moberly Area Community College, North Central Missouri College, Southeast Missouri State University, State Fair Community College, St Charles Community College, Three Rivers Community College, Truman State University.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Savings</u> - Department of Higher Education (DHE) - Appropriation for proprietary school administration costs (§173.608)	Expected to exceed \$100,000	Expected to exceed \$100,000	Expected to exceed \$100,000
<u>Loss</u> - DHE - Proprietary school certification fees (§173.608)	(Expected to exceed \$100,000)	(Expected to exceed \$100,000)	(Expected to exceed \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
PROPRIETARY SCHOOL CERTIFICATION FUND			
<u>Income</u> - Proprietary school fees (§173.608)	Expected to exceed \$100,000	Expected to exceed \$100,000	Expected to exceed \$100,000
<u>Cost</u> - DHE - Proprietary school administration (§173.612)	(Expected to exceed \$100,000)	(Expected to exceed \$100,000)	(Expected to exceed \$100,000)
ESTIMATED NET EFFECT ON PROPRIETARY SCHOOL CERTIFICATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
UNIVERSITIES			
<u>Cost - Universities - §173.005.2 (6) & §173.005.2 (8)</u>	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON UNIVERSITIES	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Community Colleges -§173.005.2 (6) & §173.005.2 (8)</u>	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

These sections of the proposal modify the duties prescribed to the Coordinating Board for Higher Education (CBHE).

§173.005.2 (6)

The CBHE will require all public two-year and four-year higher education institutions to identify

FISCAL DESCRIPTION (continued)

and use best practices in remediation, eliminating practices that have been found to be ineffective or those which delay students from enrollment in college-level courses

§173.005.2 (8)

The CBHE will also require all public two-year and four-year higher education institutions, by July 1, 2014, to create a statewide core transfer library of at least twenty-five lower division courses across all institutions that are transferable among all public higher education institutions.

The CBHE must develop a policy to foster reverse transfer for students who have accumulated enough hours in combination with public higher education institution in Missouri that offers an associate degree and four-year institutions to be awarded an associate degree.

§173.608 & 173.612 - Proprietary schools

This portion of the proposed legislation revises the laws regarding proprietary schools. Among its main provisions, the proposal:

- (1) Increases the base fee for an annual certificate of approval from one-tenth of a cent to thirteen-tenths of a cent per \$1 of net tuition and fees income with a maximum fee of \$5,000 and a minimum fee of \$500 per school. The Coordinating Board for Higher Education may increase the base fee and the minimum and maximum amounts by administrative rule every five years, beginning in Fiscal Year 2013, to no more than the federal Consumer Price Index since the last fee increase;
- (2) Allows the coordinating board to establish fees through administrative rule for generating enough funding to cover the costs associated with the certification program, with the advice of the Proprietary School Advisory Committee; and,
- (3) Creates the Proprietary School Certification Fund to fund the costs associated with the operation of the program.

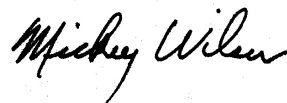
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Department of Elementary and Secondary Education
Office of the Governor
Missouri Senate
Missouri House of Representatives
Office of State Courts Administrator
Department of Corrections
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer
Office of Attorney General
Office of Prosecution Services
Colleges and Universities
 University of Missouri System
 Northwest Missouri State University
 Missouri State University
 Missouri Western State University
 Missouri Southern State University
 University of Central Missouri
 St Louis Community College
 Linn State Technical College
 Kansas City Metropolitan Community College

NOT RESPONDING

Office of Lieutenant Governor

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent "M" and "W".

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Mickey Wilson, CPA
Director
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