

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4203-03
Bill No.: HCS for SB 605
Subject: Education, Higher; Higher Education Department; Revision Bills
Type: Original
Date: May 5, 2014

Bill Summary: This proposal requires the cooperative development of a resource allocation model that incorporates performance funding for public institutions of higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$106,942)	(\$129,614)	(\$130,909)
Total Estimated Net Effect on General Revenue Fund	(\$106,942)	(\$129,614)	(\$130,909)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	2 FTE	2 FTE	2 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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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 act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 their office can sustain with their core budget. Therefore, 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 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.

Officials from the **Joint Committee on Legislative Research**, the **Missouri House of Representatives** and the **Missouri Senate** each assume no fiscal impact beyond existing appropriations.

Officials from the **Joint Committee on Education** state there will be no cost to their agency associated with this proposed legislation.

§161.097

Officials from the **Department of Elementary and Secondary Education** assume this proposal will result in insignificant costs for their agency.

Officials from the **Department of Higher Education (DHE)** assume this section grants authority to the Coordinating Board for Higher Education (CBHE) to establish standards and procedures for teacher preparation in conjunction with the State Board of Education (SBE),

ASSUMPTION (continued)

including approval of teacher education programs, quotas on programs or limits on program size, and certification assessments. According to this section, the CBHE and commissioner of higher education will also appoint seven of the 14 members to the Missouri Advisory Board for Educator Preparation (MABEP), whose duties and responsibilities are also outlined in this section.

DHE assumes the proposed legislation in this section would require the DHE to add an additional 2.0 FTE (one Senior Associate and one Research Associate I). The legislation would give the DHE significant responsibilities that could not be allocated to existing staff due to the complexity of establishing standards and procedures by which educator preparation programs are evaluated.

Officials from **Northwest Missouri State University** assume this section of the proposal could result in savings with the new approval process for teacher preparation.

§173.005

According to DHE, this section grants authority to the CBHE, in conjunction with the SBE, to approve proposed new degree programs for educator preparation.

§173.1050

DHE assumes they would have to consider the creation of a pilot program to replace tuition and fees paid by students at one or more community colleges and one or more four-year institutions with a system where students would agree to pay a portion of their income for a specified period of time to support higher education. If the DHE determines a pilot program is warranted, the department would submit a request to the General Assembly by January 1, 2015 for approval.

Although the consideration of a pilot program has no fiscal impact on the DHE, the implementation of a pilot program could have a substantial impact on revenue for higher education. A pilot program that includes only one moderately priced institution from each sector could require between \$65 million and \$75 million dollars per year to replace the lost tuition. Estimates in Oregon, where this approach is also under study, indicate it could take as long as 15 years for the replacement process to be sufficiently funded to be sustainable without state support.

Officials from the **University of Central Missouri (UCM)** assume that admitting in-state students without requiring them to pay tuition or fees at the point of service would have profound negative fiscal and operational impacts on UCM, unless the lost revenue was compensated to

ASSUMPTION (continued)

UCM by the State of Missouri at the time qualifying students were admitted.

Future collection of a percentage of income from contracting students would not only be delayed, but also would obviously vary greatly depending on their level and consistency of income, the cost of collection, whether these former students moved out of state or became disabled, among other factors.

At present, students are required to pay tuition and fees during the semester in which they attend the university. Even with the present requirement for payment at the time of service, each year UCM incurs significant fiscal liability from "bad debt", meaning the amount that students promised to pay at the point of service, but did not. It is anticipated the default rate on deferred tuition would be much higher.

Officials from **Missouri State University** assume that if the Show-Me Future Program were implemented at their institution, it would have considerable negative fiscal impact, the extent of which cannot be quantified at this time.

Officials from the **University of Missouri System** assume this bill would have a financial impact on their institutions, if passed, but it is not possible to estimate what that would be.

Officials from **Linn State Technical College** state the fiscal impact is unknown. They state the program could be hard to administer.

Oversight assumes that according to DHE, the proposal only requires the consideration of a pilot program by the DHE. If DHE determines that a pilot program is considered warranted, it would require additional action by the General Assembly to implement the program. That action would have a substantial fiscal impact on the state. Oversight further assumes the language of the proposal only requires consideration of a pilot program and that implementation would only occur after further legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Costs - DHE - Teacher preparation oversight (\$161,097)</u>			
Personal Services (2 FTE)	(\$70,820)	(\$85,834)	(\$86,692)
Fringe Benefits	<u>(\$36,122)</u>	<u>(\$43,780)</u>	<u>(\$44,217)</u>
Total Costs DHE	<u>(\$106,942)</u>	<u>(\$129,614)</u>	<u>(\$130,909)</u>
FTE Change - DHE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$106,942)</u>	<u>(\$129,614)</u>	<u>(\$130,909)</u>
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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 proposed legislation changes the laws regarding higher education

§161.097 - EVALUATION AUTHORITY OF TEACHER TRAINING INSTITUTIONS & MISSOURI ADVISORY BOARD FOR EDUCATOR PREPARATION (MABEP)

Currently, the State Board of Education (SBE) has authority establish standards and procedures for the evaluation of teacher training institutions. This proposal grants the Coordinating Board for Higher Education (CBE) joint authority with the State Board of Education with the guidance and approval of the Missouri Advisory Board for Educator Preparation. Current actions regarding state educator certification, assessments, and other measures regarding educator certification done by the State Board must be approved jointly with the CBE.

LMD:LR:OD

FISCAL DESCRIPTION (continued)

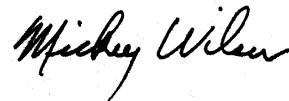
The proposal establishes the "Missouri Advisory Board for Educator Preparation" (MABEP) within the Department of Elementary and Secondary Education to advise the State Board of Education and the CBE.

MABEP has the following duties and responsibilities: to meet with the two commissioners to discuss policy issues and proposed changes to standards and practices related to educator preparation programs; make recommendations to the two commissioners regarding criteria and procedures for evaluation and approval of educator degree programs and educator preparation programs; facilitate communication amongst educator preparation experts and constituencies; present annually to the State Board of Education and the CBE; and maintain a record of deliberations.

The State Board of Education is prohibited from approving any teacher education program prior to receiving a formal recommendation on that approval from the CBE.

SOURCES OF INFORMATION

Department of Higher Education
Joint Committee on Education
Joint Committee on Legislative Research
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Missouri Senate
Missouri House of Representatives
Colleges and Universities
 University of Missouri System
 Missouri Western State University
 Missouri State University
 University of Central Missouri
 Linn State Technical College



Mickey Wilson, CPA
Director
May 5, 2014

Ross Strope
Assistant Director
May 5, 2014