

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4393-11
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SCS for SB 492
Subject: Education, Higher; Higher Education Department; Boards, Commissions, Committees, Councils; General Assembly
Type: Original
Date: June 12, 2014

Bill Summary: This proposal modifies provisions relating to authorization for funding and administrative processes in higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Lottery Proceeds	(\$120,000)	(\$120,000)	(\$120,000)
Veterinary Student Loan Payment Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$120,000)	(\$120,000)	(\$120,000)

* Revenues and expenditures net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 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
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 2015	FY 2016	FY 2017
Local Government	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor** state there should be no added cost to the Governor's Office as a result of this proposal.

Officials from the **Department of Revenue** assume no fiscal impact as a result of this legislation.

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.

In response to earlier versions of this legislation, officials from the **Office of Secretary of State (SOS)**, stated that 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 **Missouri Senate** and the **Missouri House of Representatives** state the proposed legislation has no fiscal impact beyond existing appropriations.

Officials from the **Joint Committee on Education (JCED)** stated there are no additional costs for the JCED associated with this legislation.

Officials from the **Office of Administration - Division Budget and Planning (BAP)** state that proposed legislation should not result in additional costs or savings to the BAP.

ASSUMPTION (continued)

The proposed legislation establishes a performance funding model for public higher education institutions. The model specifies how any additional funding is to be allocated rather than requiring a certain level of additional funding. There are therefore no mandatory increased costs associated with the model.

The proposed legislation also instructs the Department of Higher Education to develop a process to award grants to Missouri public two- and four-year institutions of higher education and school districts that have entered into articulation agreements to offer information technology certification through technical course work leading to postsecondary academic credit. Any such grants would be subject to appropriation.

§161.097 - Establishes the Missouri Advisory Board for Educator Preparation (MABEP)

Officials from the **Department of Higher Education (DHE)** state that since their agency plays only an advisory role in MABEP, there is no anticipated fiscal cost associated with this provision

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

§163.191 & §178.638 - Community Colleges and State Technical College of Missouri

DHE states an assumption of no fiscal impact based on the fact that this is solely a distribution or allocation model and does not imply or require a specific level of funding. Although some staff time will be required to comply, most of the primary development and implementation tasked have already been completed.

§163.191.5 - The DHE shall request new and separate state-aid funding for any new community college district for its first 6 years of operation based on the same level of funding being provided to existing districts. This is not a substantive change from the current process.

Oversight assumes the fiscal impact would be \$0 if no new community college districts are created or (Could exceed \$100,000) if a new district is created.

§§173.670, 173.675, 173.680 - Information Technology Certification

Officials from **DESE** state this proposal will have no fiscal impact on their agency or on school districts.

ASSUMPTION (continued)

Officials from **DHE** provided the following assumptions regarding this portion of the proposed legislation:

§173.670 - Requires the DHE to develop a grant program for consortiums of public two and four year colleges and universities and school districts to offer information technology instructional programs. This would require the DHE to develop application materials, definitions for eligibility, and program parameters as well as administering the grant program once operational.

§173.675 - Requires the DHE to develop a program of information technology certification through technical course work for postsecondary credit. Although this process would be based on existing vendor-specific certifications, it would still require DHE staff to conduct the related research to identify appropriate certifications and to establish the process for the awarding of certification and the acceptance of credit for completing the certification.

§173.680 - Requires the DHE to conduct a study to identify the information technology certifications most requested by Missouri employers.

Oversight assumes duties associated with this proposal can be performed with existing resources and with the assistance of other entities, as outlined in the bill.

§173.1006 - Performance Measures

§173.1006.2 -The Coordinating Board of Education shall evaluate and/or revise institutional performance measures at least every three years, beginning in calendar year 2019. This can be accomplished with existing staff.

§173.1006.3 -The DHE is responsible for evaluating the effectiveness of performance funding measures and shall submit a report based on its findings by November 2019 and every four years thereafter. This can be done with existing staff.

§173.1540 & 1788.638 - Four-Year Institutions and State Technical College of Missouri

§173.1540.1 - Each public four-year institution would be required to submit a budget request to the DHE, which the DHE will use to prepare an appropriations request for each institution. This is not a substantive change from the current process.

§173.1540.2 - Unless the General Assembly decides otherwise, appropriations to the institutions are required to be in accordance with an allocation/distribution model developed and revised by

ASSUMPTION (continued)

the public four-year institutions and the DHE. While this would require some staff time, the basic framework for this process has already been developed by the institutions.

§173.1540.3 - Initial core funding would be set at the FY 2015 funding level, which would be adjusted annually according to the increase allocation model beginning in FY 2016. This process can be enacted from existing practice.

§173.1540.4 - Unless otherwise provided by the General Assembly, no more than 10 percent of any increase from the core can be distributed as an equity adjustment or based on weighted FTE. At least 90 percent of any increase must be distributed based on the performance funding model described in §173.1006. In addition, the effectiveness of the increase allocation model shall be evaluated in calendar year 2019 and every four years thereafter.

§178.638 - Unless the General Assembly chooses to otherwise appropriate state funding to the State Technical College of Missouri, beginning with fiscal year 2016, at least 90 percent of any annual increase in core funding over the previous year is required to be in accordance with an allocation/distribution model developed and revised by the public four-year institutions and the DHE.

Officials from **Linn State Technical College** state this proposed legislation could have a positive impact on their college.

Officials from the **University of Central Missouri (UCM)** provided the following response:

Although UCM supports the performance funding concept, UCM believes there would be a negative financial impact on their institution if there is no provision to take into account funds previously assigned to an institution based on an approved specific mission, provided that mission is still in effect. Any equity funding derived from FTE students or credit hours generated should be based on monies that do not include mission enhancement funds.

With regard to the adoption of performance measures, there could be a negative fiscal impact on UCM if the measures and/or the methods of assessments that are adopted increase the chances of institutions receiving funds on most if not all elements, whether it is "deserved" or not. For example, improvement is always good but may not warrant performance funding if the performance does not meet some minimal level. Going from a 19% six-year graduation rate to a 20% rate is improvement but not necessarily deserving of performance funding. In contrast, another university that has a 55%, six-year graduation rate, but slips to 54%, may lose performance funding even though its six-year graduation rate is far superior.

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ASSUMPTION (continued)

In the absence of a common sampling method, there is potential for selection bias to operate and allow an institution to qualify for funding even though the results are based on a restricted or selective sample.

Officials from the **University of Missouri System (UM)** assumed the proposed legislation provisions relating to authorization for funding and administrative process in higher education, may have a financial impact, but because of the many variables, it is impossible to determine the effect of the legislation regarding funding of institutions of higher education at this time on the University.

§§ 340.381 & 340.396 - Large Animal Veterinary Student Loan Program

Officials from the **Department of Agriculture** and the **Office of State Treasurer** assume the provision would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state these changes rename the Large Animal Veterinary Student Loan Program to the “Dr. Merrill Townley” Large Animal Veterinary Student Loan Program and extends the program’s sunset.

BAP assumes this provision should not result in any statewide fiscal impact.

Oversight assumes the Veterinary Student Loan Payment Fund (0803) receives transfer payments from the Lottery Proceeds Fund (0291) as appropriated each fiscal year. In FY13 the Veterinary Student Loan Payment Fund had actual expenditures of \$120,000.

Oversight notes upon graduation, participants in the program are forgiven \$20,000 for each year of service in a designated area of need.

Oversight assumes this provision would repeal the expiration date of the Large Animal Veterinarian Student Loan Program of June 30, 2013. Therefore, Oversight will show a cost of \$120,000 each fiscal year to the Lottery Proceeds Fund transferred to the Veterinary Student Loan Payment Fund for the continuation of this program

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Transfer Out</u> - DHE - Funding for new community college districts (§163.191.5)	\$0 or (Could exceed <u>\$100,000</u>)	\$0 or (Could exceed <u>\$100,000</u>)	\$0 or (Could exceed <u>\$100,000</u>)
	<u>\$0 or (Could exceed \$100,000)</u>	<u>\$0 or (Could exceed \$100,000)</u>	<u>\$0 or (Could exceed \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE			
LOTTERY PROCEEDS FUND			
<u>Costs</u> - Department of Agriculture - Transfer to Veterinary Student Loan Payment Fund (§340.396)	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>
	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>
ESTIMATED NET EFFECT ON LOTTERY PROCEEDS FUND			
VETERINARY STUDENT LOAN PAYMENT FUND			
<u>Transfer In</u> - Lottery Proceeds - Transfer of funds for veterinary student loans (§340.396)	\$120,000	\$120,000	\$120,000
<u>Transfer Out</u> - Large Animal Veterinary Students - Veterinary Student Loans (§340.396)	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON VETERINARY STUDENT LOAN PAYMENT FUND			

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - Funding for new community college districts (§163.191.5)	\$0 or Could exceed <u>\$100,000</u>	\$0 or Could exceed <u>\$100,000</u>	\$0 or Could exceed <u>\$100,000</u>
	<u>\$0 or Could exceed</u>	<u>\$0 or Could exceed</u>	<u>\$0 or Could exceed</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§163.191 - Community Colleges

The Department of Higher Education (DHE) shall request new and separate state-aid funds for any new community college district for its first six years of operation. The request for the new district shall be based upon the same level of funding being provided to the existing districts.

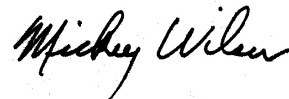
§340.381 & 340.396 - Large Animal Veterinarian Student Loan Program

This section changes the names of the Large Animal Veterinarian Student Loan Program to the "Dr. Merrill Townley Large Animal Veterinarian Student Loan Program." Further, this section repeals the sunset provision of the large animal veterinarian student loan 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
Joint Committee on Education
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Missouri Senate
Missouri House of Representatives
Office of the Governor
Department of Agriculture
Office of the State Treasurer
Colleges and Universities
 University of Missouri System
 University of Central Missouri
 Linn State Technical College



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