

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4863-03  
Bill No.: Perfected HCS for HB 1389  
Subject: Interstate Cooperation; Education, Higher  
Type: Original  
Date: March 27, 2014

---

Bill Summary: This proposal deals with the implementation of a state authorization reciprocity agreement for distance education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	\$0	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*Offsetting Income and Costs are Up to \$15,000 per year.**

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

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 6 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 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 **Department of Higher Education (DHE)** state this proposal authorizes the Coordinating Board for Higher Education (CBHE) to enter into a distance education reciprocity agreement on behalf of the state and grants authority to CBHE to promulgate rules consistent with guidelines established by the regional higher education compacts for the approval of institutions to deliver distance education under the agreement.

The DHE would be required to review any institution applying to participate in the reciprocity process and verify the institution meets the criteria for participation. The DHE would also be required to accept and resolve any complaints relating to participating institutions. The DHE estimates it will require .33 FTE to adequately accomplish these tasks. The DHE currently has a request for 1 FTE for review of out-of-state public institutions, which could be partially reassigned to this function if it is approved as part of the budget process.

The bill also authorizes the DHE to charge fees for approval of institutional participation. It is assumed the fee would be \$300 annual per institution and that 50 institutions will participate in the reciprocity process.

ASSUMPTION (continued)

**Oversight** assumes fees will offset the costs associated with the review and evaluation of applications. It is not known how many institutions of higher education will participate in the reciprocal agreement; therefore, Oversight, for fiscal note purposes only, will assign an offsetting fiscal impact of Up to \$15,000 per year.

Officials from **Lincoln University**, the **University of Central Missouri**, **St. Louis Community College**, **Missouri State University**, **Linn State Technical College**, the **University of Missouri System**, and **Missouri Western University** each assume no fiscal impact as a result of this proposed legislation.

Officials from **Northwest Missouri State University** assume an unknown fiscal impact, but the net effect of the proposal would provide financial relief originating from federal requirements that the bill is designed to solve.

**Oversight** assumes costs to colleges and university are minimal and are limited to a fee for participation in the interstate reciprocity agreement outlined in the proposal. Oversight assumes the minimal fees can be absorbed with existing resources.

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Moberly Area Community College, Missouri Southern State University, Missouri Western State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Income</u> - Department of Higher Education (DHE) - Participation fees	Up to \$15,000	Up to \$15,000	Up to \$15,000
<u>Costs</u> - DHE - Review and evaluation of applications	<u>(Up to \$15,000)</u>	<u>(Up to \$15,000)</u>	<u>(Up to \$15,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<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 bill makes the Coordinating Board for Higher Education (CBHE) responsible for entering into agreements for interstate reciprocity regarding the delivery of postsecondary distance education. The CBHE will have responsibility for approving or disapproving applications from postsecondary education institutions with their principal campus located in Missouri to participate in such agreements.

The CBHE must establish standards for institutional approval, including a definition of physical presence for non-Missouri institutions serving Missouri residents consistent with other states' definition of physical presence; establishment of consumer protection policies for distance education addressing recruitment, marketing activities, disclosure of tuition, fees, admission processes and procedures; and student complaints. The CBHE must establish policies for the review and resolution of student complaints.

The CBHE may charge fees to any institution applying to participate in an interstate reciprocity agreement. Fees cannot exceed the Coordinating Board's cost of reviewing and evaluating the applications.

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  
Joint Committee on Administrative Rules  
Office of Secretary of State  
    Administrative Rules Division  
Colleges and Universities  
    Lincoln University  
    University of Central Missouri  
    St. Louis Community College  
    Missouri State University  
    Northwest Missouri State University  
    Linn State Technical University  
    University of Missouri System  
    Missouri Western State University



Mickey Wilson, CPA  
Director  
March 27, 2014

Ross Strobe  
Assistant Director  
March 27, 2014