

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4166-01
Bill No.: SB 759
Subject: Higher Education; Department of Higher Education
Type: Original
Date: February 26, 2018

Bill Summary: This proposal prohibits public higher education institutions from raising the tuition rate charged to Missouri resident undergraduate and graduate students for four years from the date the student enrolls at the institution.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$25,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$25,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
College & University Funds	\$0 to (Could exceed \$25,000,000)	\$0 to (Could exceed \$25,000,000)	\$0 to (Could exceed \$37,500,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Could exceed \$25,000,000)	\$0 to (Could exceed \$25,000,000)	\$0 to (Could exceed \$37,500,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education (DHE)** assume Section §173.1003.7 changes the definition of “tuition” to include course fees, supplemental fees, and the cost for Missouri resident graduate students enrolled in nine credit hours. This new definition would require DHE to change what data is collected. It would take \$25,000 to have the contracted vendor add three new collection fields to the Enhanced Missouri Student Achievement Study (EMSAS) system: base tuition, required fees, and supplemental fees. Additionally, DHE would then have to create definitions in the system’s user manual so institutions know what fees must be included in each new field. This could be done with existing staff.

Officials from the **University of Missouri System** assume this proposal would generate a one-time cost of \$29 million and ongoing costs of \$11 million for the University of Missouri.

Officials from **State Technical College of Missouri** assume a significant impact approximately over \$180,000 when projecting no potential tuition increases for a period of four years.

Officials from **Missouri Southern State University** have modeled locked tuition scenarios and found that over time it results in a loss of net tuition revenue given the constraints of this proposal. This proposal would reduce operating revenues.

Officials from **Northwest Missouri State University** assume there would be a significant impact due to lost revenues and cost to implement changes required in billing and financial aid systems. The total impact is estimated in excess of millions of dollars.

Officials from **University of Central Missouri (UCM)** assume to adequately manage the appropriate assessment of tuition and fees, UCM would need to add at least one additional staff person at an approximate annual cost of \$50,400. In addition, UCM would suffer the loss of tuition revenue annually at the same percentage rate for which an annual tuition increase would be applied for those students who were Missouri residents for both undergraduate and graduate level. Utilizing a basic assumption, UCM estimates annual revenue loss of a minimum of \$2 million. Section 8 would result in a significant loss to UCM by having to retroactively refund tuition and fee amounts to students from previous fiscal years. UCM budgets institutional expenditures based upon the academic period revenues and state appropriation. The allocations from this incoming revenue were already utilized to fund campus operations. By having to refund this amount, UCM would be in a negative position and would have to reduce operations in order to support this refund amount.

ASSUMPTION (continued)

Officials from **Missouri State University** assume there is a negative, undetermined fiscal impact to their organization

Oversight assumes this proposal prohibits institutions from increasing the tuition charged to students for four years or more from the date of initial enrollment beginning with the 2016-2017 academic year. Using data from the 2014-2015 school year (latest available on the DHE web site), Oversight estimated the revenue loss from a tuition freeze in the table below. Oversight notes these amounts include tuition and fees.

Table 1

University	Typical Annual Tuition & Fees	Tuition Increase based on CPI (assumed 2%)	In-State Enrollment (FTE) excluding First-time Freshmen	Revenue Loss
Harris-Stowe	\$5,820	\$116.40	782	\$90,967
Lincoln	\$6,988	\$139.76	1,653	\$231,023
Missouri Southern	\$5,763	\$115.26	3,295	\$379,753
Missouri State	\$7,008	\$140.16	11,192	\$1,568,601
Missouri S&T	\$9,529	\$190.58	4,460	\$849,892
Missouri Western	\$6,498	\$129.96	3,236	\$420,583
Northwest	\$8,156	\$163.12	3,712	\$605,461
Southeast	\$7,043	\$140.86	6,627	\$933,479
Truman State	\$7,374	\$147.48	3,958	\$583,689
UCM	\$7,265	\$145.30	6,215	\$902,967
UM-Columbia	\$9,433	\$188.66	19,028	\$3,589,870
UM-Kansas City	\$9,476	\$189.52	5,681	\$1,076,711
UM-St. Louis	\$9,474	\$189.48	6,413	\$1,215,041
Total			76,252	\$12,448,037

ASSUMPTION (continued)

Oversight assumed a CPI rate based on the target inflation rate of 2% per year as set by the Federal Open Market Committee (FOMC). Oversight assumes institutions of higher education can raise the tuition rates on first-time freshmen, but then the tuition rate is set for four or more years for each student. Oversight estimated the in-state enrollment numbers excluding first-time freshmen at roughly 75% of the total in-state enrollment.

Oversight assumes the numbers above are for Missouri resident undergraduate students only, so the potential loss could be much larger if the tuition freeze applies to additional students. Additionally, Oversight notes the revenue loss would compound annually at the rate of CPI (the allowed annual tuition increase) and community colleges are not included in the estimate above. Oversight notes tuition increases are optional; therefore, Oversight will show an impact to institutions of \$0 (no tuition increases therefore no losses) to a loss that could exceed \$12,500,000 beginning in FY 2019.

Oversight assumes colleges and universities would have to refund any increase in tuition or fees charged for students enrolled for the first time prior to the 2018-2019 academic year. Oversight assumes the student is to be refunded any difference in tuition from the 2016-2017 academic year. Oversight will show an impact to college and university funds of \$0 (no tuition increases therefore no refund required) to a cost that could exceed \$12,500,000.

Oversight assumes this proposal adds course fees and supplemental fees to the definition of tuition subjecting them to the existing tuition cap. Oversight also assumes there could be administration costs associated with tracking the tuition rates allowed for each student.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis 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 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Cost</u> - DHE Vendor updates to EMSAS	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
COLLEGE & UNIVERSITY FUNDS			
<u>Loss</u> - loss of required fees and tuition increases	\$0 to (Could exceed \$12,500,000)	\$0 to (Could exceed \$25,000,00)	\$0 to (Could exceed \$37,500,000)
<u>Loss</u> - cap imposed on course and supplementary fees	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - refund of previous tuition & fee increases for the 2017-2018 academic year	\$0 to (Could exceed \$12,500,000)	\$0	\$0
<u>Cost</u> - administration cost to track each student's allowed tuition	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0 to (Could exceed \$25,000,000)</u>	<u>\$0 to (Could exceed \$25,000,000)</u>	<u>\$0 to (Could exceed \$37,500,000)</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 prohibits public higher education institutions from raising the tuition rate charged to Missouri resident undergraduate and graduate students for four years from the date the student enrolls at the institution.

Beginning with the 2016-2017 academic year, each approved public institution shall maintain a set tuition rate that is valid for four years from the date a student initially enrolls at the institution, or for the length of time it takes to complete the student's academic program. If a student enrolled at an institution for the first time prior to the 2018-2019 academic year, such student shall be refunded any difference in tuition from the 2016-2017 tuition rate.

If an institution fails to comply with the provisions of the act, the institution shall remit an amount equal to 5% of its current year state operating appropriation, which shall be deposited into the general revenue fund. Once the institution demonstrates compliance with the act the funds shall be returned to the institution.

Additionally, this act adds course fees and supplemental fees to the definition of "tuition" under the Higher Education Student Funding Act.

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
University of Central Missouri
Missouri State University
University of Missouri System

L.R. No. 4166-01
Bill No. SB 759
Page 8 of 8
February 26, 2018

SOURCES OF INFORMATION (continued)

Missouri Southern State University
Northwest Missouri State University
State Technical College of Missouri

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
February 26, 2018