

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5852-01
Bill No.: SB 912
Subject: Higher Education; Department of Higher Education
Type: Original
Date: January 30, 2018

Bill Summary: This proposal changes the cap on tuition charged at public institutions of higher education.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
College & University Funds	\$0	\$0 to could exceed \$83,000,000	\$0 to could exceed \$83,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 to could exceed \$83,000,000	\$0 to could exceed \$83,000,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 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 **Missouri Western State University** assume this proposal would have a positive fiscal impact on the university exceeding \$8,000,000 if the full allowable increase was implemented (using enrollment numbers for the past 3 fiscal years).

Officials from the **University of Missouri System (UM)** assume every 1 percent above inflation is estimated to generate approximately \$2.5 million in gross tuition revenue (or \$2.0 million net tuition revenue) based on current Missouri resident students; therefore, a 10% increase would equal \$25 million.

Officials from **University of Central Missouri (UCM)** assume the impact depends on the rate we would choose and the elasticity of demand for our students at the current price point. The impact could range from \$0 to \$6,800,000 depending on the accuracy of the measure of elasticity.

Officials from the **Northwest Missouri State University** assume there would be an estimated impact of \$2.3 million to \$2.6 million to the university.

Officials from the **Missouri State University** assume this proposal would have a positive fiscal impact of an undetermined amount for the university.

Officials from the **State Technical College of Missouri** assume there would be an unknown positive impact.

Officials from the **Department of Higher Education (DHE)** assume the proposal will have no fiscal impact on their organization.

Oversight notes this proposal changes the cap on tuition rates charged at public institutions of higher education for Missouri resident undergraduates from the percentage change in the consumer price index (or zero) to the consumer price index plus ten percent. (Oversight assumes this is the change in the consumer price index plus ten percent.)

Oversight notes the Consumer Price Index for All Urban Consumers (CPI-U) was 246.5 in December of 2017. The percentage change from December of 2016 to December of 2017 was 2.1%.

ASSUMPTION (continued)

Oversight assumes this proposal would allow universities to raise the tuition rates by 10% annually (in addition to the rate of inflation). Using data from the 2014-2015 school year (latest available on the DHE web site), Oversight estimated the additional increase in tuition revenues in the table below. Oversight notes these amounts include tuition and fees.

University	Typical Annual Tuition & Fees	10% Increase	In-State Enrollment (FTE)	Estimated Potential Additional Revenues
Harris-Stowe	\$5,820	\$582.00	1,042	\$606,444
Lincoln	\$6,988	\$698.80	2,204	\$1,540,155
Missouri Southern	\$5,763	\$576.30	4,393	\$2,531,686
Missouri State	\$7,008	\$700.80	14,922	\$10,457,338
Missouri S&T	\$9,529	\$952.90	5,946	\$5,665,943
Missouri Western	\$6,498	\$649.80	4,315	\$2,803,887
Northwest	\$8,156	\$815.60	4,949	\$4,036,404
Southeast	\$7,043	\$704.30	8,836	\$6,223,195
Truman State	\$7,374	\$737.40	5,277	\$3,891,260
UCM	\$7,265	\$726.50	8,286	\$6,019,779
UM-Columbia	\$9,433	\$943.30	25,371	\$23,932,464
UM-Kansas City	\$9,476	\$947.60	7,575	\$7,178,070
UM-St. Louis	\$9,474	\$947.40	8,550	\$8,100,270
Total			101,666	\$82,986,895

Oversight assumes this proposal is permissive and will show the fiscal impact to the universities as \$0 (no increase in tuition by the institutions) to could exceed \$83,000,000. The numbers above are for Missouri resident undergraduate students only, so the potential increase could be much larger (depending upon action by the specific institutions) if it applies to non-resident

ASSUMPTION (continued)

students and to graduate students. Oversight assumes 2018-2019 rates would be locked in by the effective date of this proposal, so Oversight is not reflecting an impact to FY 2019.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College and the 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
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COLLEGE & UNIVERSITY FUNDS

<u>Revenue Increase</u> - cap raised on tuition increases	\$0	\$0 to could exceed <u>\$83,000,000</u>	\$0 to could exceed <u>\$83,000,000</u>
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ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0</u>	<u>\$0 to could exceed \$83,000,000</u>	<u>\$0 to could exceed \$83,000,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act states that for public institutions of higher education whose tuition is greater than the average tuition, the percentage change in tuition shall not exceed the consumer price index plus 10%. For institutions whose tuition is less than the average tuition, the dollar increase in tuition shall not exceed the consumer price index plus 10%.

Additionally, the act repeals the waiver process for institutions seeking a tuition cap waiver.

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

Missouri Western State University
University of Missouri System
Missouri State University
State Technical College of Missouri
Northwest Missouri State University
University of Central Missouri
Department of Higher Education

Ross Strope



Acting Director
January 30, 2018