

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5852-03  
Bill No.: SCS for SB 912  
Subject: Higher Education; Department of Higher Education  
Type: Original  
Date: February 13, 2018

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

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

## FISCAL ANALYSIS

### ASSUMPTION

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 **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. The language limiting the percent increase on fees could negatively impact the university's revenue and ability to deliver some programs with special emphasis and needs supported by fees.

Officials from the **State Technical College of Missouri** assume there is a lot of uncertainty with the new language, especially about fees. The university assumes there is an unknown impact, potentially negative.

Officials from **Missouri Western State University** assumed this proposal could have a potential positive impact, allowing the university to increase tuition and fees in years when appropriations are down.

In response to a previous version, SB 912 (LR 5852-01), officials from **University of Central Missouri (UCM)** assumed 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.

In response to a previous version, SB 912 (LR 5852-01), officials from the **Northwest Missouri State University** assumed there would be an estimated impact of \$2.3 million to \$2.6 million to the university.

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 change in the consumer price index plus ten percent. Oversight notes this proposal allows public institutions of higher education to increase tuition and fees in addition to the rate of inflation when an institution's state operating support did not increase from the previous fiscal year.

ASSUMPTION (continued)

**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%.

**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.

<b>University</b>	<b>Typical Annual Tuition &amp; Fees</b>	<b>10% Increase</b>	<b>In-State Enrollment (FTE)</b>	<b>Estimated Potential Additional Revenues</b>
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
<b>Total</b>			101,666	<b>\$82,986,895</b>

ASSUMPTION (continued)

**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 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.

**Oversight** notes required fees are included in the statutory definition of tuition under current statute (173.1003.7). Oversight assumes this proposal limits the percentage change in fees charged by public institutions of higher education to 10% annually (in addition to the rate of inflation) and removes the term ‘required fees’ from the definition of tuition. Based on responses from higher education institutions, Oversight will assume a potential negative impact regarding fees.

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
<b>COLLEGE &amp; UNIVERSITY FUNDS</b>			
<u>Revenue Increase</u> - cap raised on tuition and required fee increases	\$0	\$0 to could exceed \$83,000,000	\$0 to could exceed \$83,000,000
<u>Revenue Loss</u> - cap imposed on course-specific or program fees	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON COLLEGE &amp; UNIVERSITY FUNDS</b>	<b><u>\$0</u></b>	<b>(Unknown) to could exceed <u>\$83,000,000</u></b>	<b>(Unknown) to could exceed <u>\$83,000,000</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 act states that for public institutions of higher education whose tuition is greater than the average tuition may raise tuition by the consumer price index plus 10% if an institution's state operating support did not increase from the previous year. Public institutions of higher education whose tuition is less than the average tuition may raise tuition if an institution's state operating support did not increase from the previous year. The dollar increase in tuition shall not exceed the percentage change in the consumer price index plus 10%.

This act states that if an institution's state operating support did not increase from the previous year, the percentage change in fees charged by an institution of higher education shall not exceed the change in the consumer price index plus 10%.

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

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SOURCES OF INFORMATION (continued)

Northwest Missouri State University  
University of Central Missouri  
Department of Higher Education

Ross Strobe

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

Acting Director  
February 13, 2018