

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1704-01  
Bill No.: SB 429  
Subject: Postsecondary education tuition and fee waiver for foster children.  
Type: Original  
Date: February 19, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$102,600)	(\$105,678)	(\$108,848)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$102,600)</b>	<b>(\$105,678)</b>	<b>(\$108,848)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Social Services** and **Central Missouri State University** stated the proposed legislation would have no fiscal impact to their organization.

Officials from the **University of Missouri** stated they are unable to determine the cost of the proposed legislation as it is currently written.

Officials from the **Truman State University** stated they are unable to determine the fiscal impact of the proposed legislation as they have no data regarding the number of foster children enrolled.

Officials from the **Southwest Missouri State University (SMSU)** assume the average tuition at a public state university to be \$4,000 and the average Pell Grant to be \$3,000. Therefore, the eligibility equals \$1,000 times the number of students (\$4,000 - \$3,000). If there are 1,000 eligible students (estimated number), the cost would be \$1,000,000 per year or about \$3-\$3.5 million over four years and would account for increase costs and loss of eligibility for non-service as required. In addition, there would be some administrative cost to the Coordinating Board for Higher Education for the administration of the program and tracking the service requirement. This could be estimated at \$25,000 to \$30,000 for salary and fringe benefits. Therefore, the estimated total cost is:

	Year 1	Year 2	Year 3	Year 4
Estimated waiver cost	\$1,000,000	\$1,750,000	\$2,500,000	\$3,250,000
Estimated administrative cost	<u>25,000</u>	<u>27,000</u>	<u>29,000</u>	<u>31,000</u>
<b>Estimated Total Cost</b>	<b><u>\$1,025,000</u></b>	<b><u>\$1,777,000</u></b>	<b><u>\$2,529,000</u></b>	<b><u>\$3,281,000</u></b>

Officials from the **Department of Higher Education - Coordinating Board for Higher Education (CBH)** stated this bill is not completely clear on how these waivers would be administered. If the CBH were to administer a program and reimburse the institutions for waivers, the costs would accrue to the CBH. If, however, the institutions are to provide the waivers out of their resources, then the costs would be attributable to the institutions. Nevertheless, the impact to the state would remain the same as the CBH could administer a program of this nature without additional FTE. According to the Department of Social Services (DOS), there are 690 foster children between the ages of 18 and 20, the age assumed for college enrollment. Of these, 399 are 18-year olds, 191 are 19-year olds, and 100 are 20-year olds. According to the DOS, 28% of foster children of these ages are covered by independent living funding for higher education. Also according to the DOS, most foster children have few, in any, assets of their own that would impact eligibility for need-based financial aid. Thus, it is ASSUMPTION (continued)

assumed, that foster children entering higher education would be eligible for a maximum Pell Grant. For FY 02, the maximum Pell Grant award will be \$3,750. The tuition and fee costs for one academic year are below \$3,750 for all state institutions with the exception of the University of Missouri. Thus, only those students who attend the University of Missouri would require a waiver of tuition and fees. It is assumed that foster children will enroll in the University of Missouri in the same proportion of the total student population, it is estimated that 23% of all eligible students will enroll at the University of Missouri and consequently require aid above the maximum Pell Grant to cover tuition costs. Thus, the fiscal impact is estimated as follows:

690 foster children x 28% covered by independent living funding = 497 students  
 497 students x 23% estimated to enroll at the University of Missouri = 114 students  
 Difference between maximum Pell Grant and UM tuition and fees (approx. \$4,650) = \$900  
 Total estimated fiscal impact: 114 students x \$900 = \$102,600

For subsequent years a 3% inflationary increase in tuition and fee charges at the University of Missouri is assumed with no increases in the maximum Pell Grant. These tuition and fee and Pell Grant figures are based on full-time enrollment for one academic year.

**Oversight** assumes that scholarship payments would be made based on semester rather than fiscal year, and therefore, would be \$102,600 for FY 02.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Costs - Department of Higher Education</u>			
Tuition and fee waivers	\$102,600	\$105,678	\$108,848
Total <u>Costs</u> - Department of Higher Education	<u>\$102,600</u>	<u>\$105,678</u>	<u>\$108,848</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$102,600</u></b>	<b><u>\$105,678</u></b>	<b><u>\$108,848</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

## FISCAL IMPACT - Small Business

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

## DESCRIPTION

The proposed legislation would require the Coordinating Board for Higher Education to make provisions for institutions under their jurisdiction to award a tuition and fee waiver for undergraduate courses at state institutions for any student, beginning with incoming freshmen in the 2002 fall semester who is: 1) a resident of Missouri, 2) has graduated within the previous 3 years from high school or passed the GED examination, and 3) has been in foster care or residential care under the Department of Social Services on or after the day preceding the student's eighteenth birthday or the day after the student's fourteenth birthday, if the student was also eligible for adoption or the day after the student graduated from high school or received a GED.

The student will be eligible for a waiver award when the student applies and is accepted at an institution not later than the third anniversary of the date the student was discharged from foster or other residential care, the date the student graduated from high school or the date the student received a GED, whichever is earliest, or the student's twenty-first birthday, applies for other student financial assistance, other than student loans, in compliance with federal financial aid rules, including the federal Pell grant, applies to the Coordinating Board for Higher Education, and completes a minimum of one hundred hours of community service within a twelve-month period beginning September first for each year the student is receiving a tuition and fee waiver award.

The waiver is available for each eligible student for no more than four years of undergraduate study and is not available to students enrolled in an institution of higher learning as of the effective date of this section.

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 - Coordinating Board for Higher Education  
Department of Social Services  
University of Missouri  
Truman State University

HW-C:LR:OD (12/00)

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Central Missouri State University  
Southwest Missouri State University

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA  
Director

February 19, 2001