

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3670-01
Bill No.: SB 873
Subject: Education, Higher.
Type: Original
Date: February 5, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue *	(\$104,210,592)	(\$428,277,607)	(\$441,124,813)
Total Estimated Net Effect on <u>All</u> State Funds *	(\$104,210,592)	(\$428,277,607)	(\$441,124,813)

* subject to appropriation.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Truman State University** assume this proposal would have no fiscal impact on their organization.

Officials from the **University of Missouri** assume they can not estimate the impact this proposal would have on their organization.

Oversight assumes this proposal would have no direct fiscal impact on the University of Missouri.

Officials from the **Coordinating Board for Higher Education** assume the proposed legislation would create the "Challenge Scholarship Program" to pay the costs of tuition, books and fees for the first 60 hours of postsecondary education to attend any public or private college or university, including some proprietary institutions, for any eligible student as defined by the legislation. Students participating in the A+ Schools Program would not be eligible for the new program. The CBHE would be responsible for administering the program including processing applications and processing payment to institutions for participating students. CBHE used fall 2000 student data and FY 2002 tuition, fee, and book cost data.

PUBLIC 2-YEAR SECTOR: In fall 2000, 12,424 Missouri residents enrolled in the public 2-year sector of institutions as first time freshmen. To reflect those students participating in the A+ Schools program we have subtracted the approximate number of new A+ student recipients, 1800, between fall 2000 and fall 2001 to arrive at a freshmen class of 10,624. The average cost per credit hour is \$47 for an in-district student and \$72 for an out-of-district student. The average annual book and supply cost is \$622, and the average annual fee cost is \$547. For the first year of this program, with the assumption that they are all pursuing 30 credit hours, \$2,579 would be the cost per student for the in-district students and \$3,329 would be the cost for an out-of-district student. Assuming that half of the students are in-district and half are out-of-district, the cost would be \$31,383,296.

PUBLIC 4-YEAR SECTOR: In fall 2000, 14,581 Missouri residents enrolled in the public 4-year sector of institutions as first time freshmen. The average per credit hour cost is \$125. The average annual book and supply cost is \$622, and the average annual fee cost is \$473. For the first year of this program, assuming students pursue 30 credit hours, \$4,845 would be the average per student cost to the state. This results in a total of \$70,644,945 for the public 4-year sector of students.

ASSUMPTION (continued)

PRIVATE 4-YEAR SECTOR: In fall 2000, 5,558 Missouri residents enrolled in this sector as first time freshmen. The average cost per credit hour is \$391. The average annual book and supply cost is \$931. The average annual fee cost is \$302. For the first year of this program, assuming students pursue 30 credit hours, \$12,963 would be the per student cost to the state. This results in a total of \$72,048,354 for the private sector students.

PROPRIETARY INSTITUTIONS SECTOR: We estimate that 5,100 eligible students were enrolled in eligible proprietary schools in fall 2000. The current average one year program cost, including tuition, books, fees and supplies, is \$6,595. This results in an approximate cost of \$33,634,500 for this program.

This brings the scholarship total to \$207,711,095 for the first year. The scholarship is set to begin in January 2003, however, which is halfway through the year, so the FY 03 cost would be \$103,855,548.

As this program is available for 60 hours, in FY 04 two years of students would be requesting funding. Assuming a 3% increase in students and costs over FY 03, the FY 04 cost is \$428,152,612.

Assuming the same increase, the FY 05 total is \$440,996,432.

It is important to realize that this analysis only provides estimates for first-time, full-time freshmen, and does not include eligible students currently enrolled with fewer than 60 credit hours earned, or any potential non-traditional or part-time students. When these groups are taken into account, the actual costs of this program could be higher.

In order to provide timely information about the scholarship program to students, \$100,000 would be necessary to print and distribute 400,000 brochures and letters about the program to secondary and postsecondary students. An additional \$12,000 would be necessary for application forms in FY 2003, and these costs will increase substantially each year as more forms will be needed each year of the program. Postage costs, estimated at \$16,000 for FY 2003 to send out informational materials and application forms, will also increase substantially each year

ASSUMPTION (continued)

The Grant and Scholarship Program Administration is already understaffed due to withholdings and core cuts. Since this program has the potential to generate twice as many applications as we are currently receiving for other grant and scholarship programs, we are requesting a doubling of staff size. One Senior Associate, 3 Program Specialists and one Administrative Assistant would be necessary to administer this program. In addition, about 150 to 200 hours of computer programming would be required to set up the database of potential scholarship recipients. At \$50 per hour in consulting fees, it would cost approximately \$10,000 in initial programming costs for this program. Subsequent maintenance of the new database could be accomplished with existing staff. Other ongoing processing costs include approximately \$8,000 per year for imaging of records and \$16,000 per year for storage of computer records.

Oversight assumes the program would be funded by appropriations from the state General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE FUND

Cost - Coordinating Board for Higher Education

Personal Service	(\$134,104)	(\$164,948)	(\$169,072)
Fringe Benefits	(\$48,291)	(\$59,398)	(\$60,883)
Expense and Equipment	(\$172,649)	(\$168,405)	(\$173,456)
Scholarships	<u>(\$103,855,548)</u>	<u>(\$427,884,856)</u>	<u>(\$440,721,402)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	<u>(\$104,210,592)</u>	<u>(\$428,277,607)</u>	<u>(\$441,124,813)</u>
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* subject to appropriation.

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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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.

DESCRIPTION

This proposal would establish the "Challenge Scholarship Program". The program would provide funding for the cost of tuition, books, and fees, for the first 60 hours of postsecondary education for students who are enrolled in qualified educational institutions. Eligible students could not have been participants in the A+ schools program, and must remain eligible for funding by making satisfactory educational progress. Full funding for this program, and for the A+ Schools program would be required before any increases in appropriations to public higher education, other than increases tied to the consumer price index.

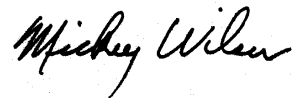
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

University of Missouri
Truman State University
Coordinating Board for Higher Education

NOT RESPONDING

Linn State Technical College
Three Rivers Community College



Mickey Wilson, CPA
Acting Director
February 5, 2002