

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3807-04
Bill No.: SCS for HCS for HB 1078
Subject: Education, Higher; Higher Education Dept.; Military Affairs
Type: Original
Date: May 8, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue *	(\$40,171 to Unknown)	(\$42,471 to Unknown)	(\$43,817 to Unknown)
Total Estimated Net Effect on General Revenue Fund *	(\$40,171 to Unknown)	(\$42,471 to Unknown)	(\$43,817 to Unknown)

* subject to appropriation.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

War on Terror Veteran Survivor Grants

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from the **Department of Higher Education** (DHE) assumed the proposed legislation would create the "military member survivor grant" to pay tuition, other required fees, room and board (capped at \$2000 per semester), and books (\$500 maximum per semester) at any public or private college or university for any eligible student as defined by the legislation. DHE would be responsible for promulgating rules and regulations for this program, establishing the minimum eligibility performance standards, administering the program, processing applications, and paying institutions.

The extent to which this program could be utilized is currently unknown, as the potential applicants are unknown. As it is open to dependents of "any member of the military... who was killed in combat action after September 11, 2001, or who became eighty percent disabled as a result of injuries sustained in combat action after September 11, 2001," it is difficult to know the number of those currently eligible that would want to take advantage of a program such as this and impossible to predict those who may become eligible in the future.

The annual amount for a for a typical full-time undergraduate student at the University of Missouri-Columbia taking 15 credit hours per semester is \$7,415 in fall 2005. The maximum allowable expenses of \$2000 per semester for room and board and \$500 per semester for books were utilized for this calculation, bringing the total amount per eligible student to \$12,415 the first year. Given the fact that the number of eligible recipients is unknown, for purposes of calculating this fiscal note, it is assumed for FY 2007 and subsequent fiscal years that there would be 25 awards distributed. At an amount of \$12,415 per student, the first year of grants would total \$310,375. Assuming tuition and fees cost rise 5% for FY 2008, the total that year would be \$12,786 per student for a grand total of \$319,650 for all 25. At another 5% increase, FY 2009 would cost \$13,175 per student with a grand total of \$329,375.

In response to a similar proposal, DHE noted that the average four-year public institution tuition and fee amount for fall 2005 is \$5,811. DHE assumed that each student would receive the maximum allowable expenses of \$2,000 per semester for room and board and \$500 per semester for books. This brings the total amount per eligible student to \$10,811 the first year.

DHE estimated that a 1.0 FTE Research Associate position would be required at an annual salary of \$35,000 plus associated expense and equipment beginning in FY 2006. The Research Associate would be responsible for overall administration of this program, including reviewing applications and working with participating institutions in order to distribute funds accurately and smoothly.

ASSUMPTION (continued)

Oversight assumes that processing for a limited number of grants could be performed by existing DHE staff. Oversight also assumes that no more than 25 grants would be approved; therefore, Oversight has shown a range from \$0 to \$270,275 for FY 2007, from \$0 to \$283,800 for FY 2008, and from \$0 to \$298,000 for FY 2009. The amount actually awarded would also be limited to the amount appropriated for the program.

Officials from the **Department of Public Safety, Office of the Director, Office of the Adjutant General, and Missouri Veterans Commission (VETS)** assumed this proposal would have no fiscal impact on their organizations. Officials from VETS provided a federal estimate of 7,719 Missouri military personnel who had served in Operation Iraqi Freedom and Operation Enduring Freedom.

Former Foster Child Tuition and Fee Waiver

Officials from the **Department of Higher Education (DHE)** assume the cost of this proposal is unknown. DHE assumed the Department of Social Services would be able to provide a potential number of eligible students. As this legislation would pay tuition and fees for qualified foster children to attend a public higher education institution, it may be a safe assumption that most of those qualified will seek this funding. Of those students attending public institutions, 35% attend 2-year institutions and 65% attend 4-year institutions, so those percentages can be applied to the number from the DSS to help determine cost. For the 2003-2004 academic year, the average tuition and fee cost for public 2-year institutions was \$2,835 per year and \$5,219 per year for public 4-year institutions.

DHE assumed that one FTE Research Associate at an estimated salary of \$35,000 plus associated expense and equipment would be needed to administer this program. This Research Associate would be responsible for developing and distributing the program application, reviewing applications for eligibility determination, and monitoring community service and internship requirements of participants.

Oversight has, for fiscal note purposes only, changed the starting salary for the new position to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

In response to a similar proposal in the previous session (SB 89, LR 245-010, 2005) officials from the **Department of Social Services** (DSS) stated that this proposal would have an unknown impact on their organization since former foster children are also eligible for training and education vouchers under a federal program. DSS was not able to estimate the number of students receiving the vouchers or the amount of vouchers issued per year.

In response to a similar proposal in the previous session (SB 89, LR 245-010, 2005) officials from the **Department of Social Services, Division of Youth Services and Children's Division**, and **Linn State Technical College**, assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal in the previous session (SB 89, LR 245-010, 2005) officials from the **University of Missouri** stated they were unable to determine the fiscal impact of the proposal on their organization.

In response to a similar proposal in the previous session (SB 89, LR 245-010, 2005) officials from **Missouri State University** (MSU) assumed the proposal would have a negative impact on their organization based on their assumption that 6.5 percent of 600 eligible former foster children would attend MSU. MSU estimated the cost at approximately \$98,000 for the first year, \$206,000 the second year, and \$325,000 the third year.

In response to a similar proposal in the previous session (SB 89, LR 245-010, 2005) officials from the **Office of the Secretary of State** (SOS) assumed the proposal would allow for foster children to receive a waiver of tuition and fees to attend a state-funded college or university. The Coordinating Board for Higher Education and the Department of Higher Education would promulgate rules to implement this legislation.

These rules would be published in both the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Coordinating Board for Higher Education and the Department of Higher Education could require as many as 24 pages in the Code of State Regulations. The estimated cost of a page in the Code of State Regulations is \$27. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23.
((24 x \$27) + (36 x \$23)=\$1,476))

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the cost of the tuition and fee waivers is unknown and would be funded through the budget process for the state institutions of higher education. Oversight has reflected that unknown cost in the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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GENERAL REVENUE FUND

Section 173.234 RSMo.

Cost - Department of Higher Education

Scholarships *	<u>\$0 to (\$270,275)</u>	<u>\$0 to (\$283,789)</u>	<u>\$0 to (\$298,000)</u>
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Section 173.270 RSMo.

Cost - Department of Higher Education

Personal Service (1 FTE)	(\$23,550)	(\$29,459)	(\$30,195)
Fringe Benefits	(\$10,376)	(\$12,979)	(\$13,304)
Expense and Equipment	(\$6,245)	(\$309)	(\$318)
Tuition and fee waivers *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
	<u>(\$40,171 to</u>	<u>\$42,471 to</u>	<u>(\$43,817 to</u>
	<u>Unknown)</u>	<u>Unknown)</u>	<u>Unknown)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	<u>(\$40,171 to</u>	<u>(\$42,471 to</u>	<u>(\$43,817 to</u>
	<u>Unknown)</u>	<u>Unknown)</u>	<u>Unknown)</u>

* subject to appropriation.

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

War on Terror Veteran Survivor Grants

This proposal would create a War on Terror scholarship program. The Department of Higher Education would award as many as 25 education grants each year to survivors of military personnel who were Missouri residents, and were killed or more than 80% disabled in combat action after September 11, 2001. The amount available for grants would be subject to appropriation.

Former Foster Child Tuition and Fee Waiver

The Coordinating Board for Higher Education would make provisions for a tuition and fee waiver for undergraduate courses at state institutions of higher education for any student, beginning with incoming freshmen in the 2006 fall semester or term, who is a resident of this state; has graduated within the previous three years from high school or passed the GED examination; and has been in foster care or other residential care under the department of social services on or after the day preceding the student's eighteenth birthday, or the day of the student's fourteenth birthday, if the student was also eligible for adoption on or after that day, or the day the student graduated from high school or received a GED.

To be eligible for a tuition and fee waiver, a student would apply to and be accepted at the 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. No student who is enrolled in an institution of higher education as of the effective date of this proposal would be eligible for a waiver under this section.

The student would apply for other student financial assistance, other than student loans, in compliance with federal financial aid rules, including the federal Pell grant; and apply to the Coordinating Board for Higher Education for a determination of eligibility.

DESCRIPTION (continued)


The student would also complete a minimum of one hundred hours of community service or public internship within a twelve-month period beginning September first for each year in which the student receives a tuition and fee waiver. The Coordinating Board for Higher Education would, in collaboration with participating state institutions determine the community service and public internships that students could participate in to meet the requirements of this subdivision. A student could fulfill this requirement by completing the necessary community service or public internship hours during the summer.

The tuition and fee waiver provided by this section would be awarded on an annual basis and continue to be available, as long as the student remains in good academic standing at the state institution of higher education. The waiver could be used for no more than four years of undergraduate study and could only be used after other sources of financial aid that are dedicated solely to tuition and fees are exhausted.

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

Office of the Secretary of State
Department of Higher Education
Department of Public Safety - Office of the Adjutant General
Department of Public Safety - Missouri Veterans Commission



Mickey Wilson, CPA
Director
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