

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0830-01
Bill No.: HB 111
Subject: Education, Higher; Higher Education Department
Type: Original
Date: February 5, 2007

Bill Summary: This proposal establishes a scholarship program for the survivors of veterans killed or injured in action after September 11, 2001.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| General Revenue | (Greater than \$2,028,948) | (Greater than \$3,847,701) | (Greater than \$5,834,557) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (Greater than \$2,028,948) | (Greater than \$3,847,701) | (Greater than \$5,834,557) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|--|-----------------|-----------------|-----------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| Department of Higher Education | 1.25 FTE | 1.25 FTE | 1.25 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 1.25 FTE | 1.25 FTE | 1.25 FTE |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Section 173.234: Veterans Scholarship

Officials at the **Department of Higher Education (DHE)** assume 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. The 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 would 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. As it is impossible to predict the future, the number of eligible recipients is unknown. It is difficult to determine which soldiers would qualify under the criteria, and further the number of spouses or dependents that would qualify and would want to take advantage of this program.

The annual amount for a typical full-time undergraduate student at the University of Missouri - Columbia taking 15 credit hours per semester was \$7,784 in fall 2006. 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 \$12,784 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 2008 and subsequent fiscal years that there would be a minimum of 25 awards distributed. At an amount of \$12,784 per student, the first year of grants would total \$319,600. Assuming tuition and fees cost rise 5% for FY 2009, the total that year would be \$13,173 per student for a grand total of \$329,325 for all 25. At another 5% increase, FY 2010 would cost \$13,582 per student with a grand total of \$339,550. According to this legislation, the number of recipients is not capped at 25 and therefore may exceed 25 which could increase the costs in any given fiscal year.

Officials at the **Department of Public Safety's Veterans Commission** and the **National Guard** each assume no fiscal impact for their departments from this proposal.

Oversight assumes that since the legislation limits the number of grants to 25 grants per year without additional appropriation that the maximum number of students who could receive the

ASSUMPTION (continued)

grant in the upcoming fiscal years is 25. Oversight assumes that all 25 grants will be awarded each year.

Section 173.271: Foster Children Scholarship

Officials at the **Department of Higher Education (DHE)** This legislation creates a tuition and fee waiver program for certain foster care recipients to be administered by the DHE. The extent to which this program could be utilized is currently unknown, as the number of potential eligible students is unknown. Therefore, the number of possible recipients is also unknown.

The cost of this program is unknown; however, it could be significant. The Department of Social Services should be able to provide a potential number of eligible students. As this section would provide tuition and fees for qualified foster children to attend a public higher education institution, it may be a good assumption that most of those qualified will seek this funding. The average public four-year tuition and fee amount for fall 2006 is \$6,101.

A 1.25 FTE Research Associate positions at an estimated salary of \$43,750 plus associated expense and equipment would be needed in FY 2008. These Research Associates would be responsible for overall administration of these programs. Responsibilities associated with the administration of the veterans scholarship program include reviewing applications and working with participating institutions in order to distribute funds accurately and smoothly. In addition, responsibilities associated with the administration of the foster children scholarship program include developing and distributing the program application, reviewing applications for eligibility determination, and monitoring community service and internship requirements.

Officials at the **Department of Social Services (DSS)** assume this proposal requires the Coordinating Board of Higher Education (CBHE) to award tuition and fee waivers for undergraduate courses at state institutions of higher education for Missouri residents who have been in foster care or other residential care under the DSS on or after the day preceding the student's 18th birthday; the day of the student's 14th birthday if the student was also eligible for adoption on or after that day; or the day the student graduates from high school or receives a GED. The student must complete a minimum of 100 hours of community service or public internship within a 12-month period for each year in which the student received a tuition and fee waiver award. The DHE shall establish by rule what service will meet this requirement.

There is no fiscal impact to the DSS because the CBHE will set the standards for this program and the individual institutions of higher education will lose the revenue.

ASSUMPTION (continued)

Oversight asked the Department of Social Services to determine how many children are in their custody and care. There are 701 seventeen years old and 372 eighteen years olds. For this fiscal note Oversight has added these together to determine the total number of all students eligible the first year for this tuition waiver. Oversight assumes that only 25% of the 1,073 students would apply for the grant the first year. Oversight used the average cost of tuition at a public four-year tuition and fee amount of \$6,101. The cost of the tuition waiver for the 268 students would be \$1,635,068 in Fiscal Year 2008. For the purpose of this fiscal note Oversight assumed a 5% inflation rate on tuition and fee costs in subsequent fiscal years. Additionally, Oversight assumes that for the subsequent years the cost rises exponentially to account for returning students. Therefore in Fiscal Year 2009 the total would double to \$3,433,616 including the 5% inflation rate and triple to \$5,407,704 to include returning students and a group of new students in Fiscal Year 2010. Oversight assumes the cost of the scholarship could be "Greater than" the figures calculated as it is unknown how many students will apply for the tuition waiver.

Officials from the **Office of the Secretary of State (SOS)** state 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

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.

| <u>FISCAL IMPACT - State Government</u> | FY 2008 (10 Mo.) | FY 2009 | FY 2010 |
|---|--|--|--|
| GENERAL REVENUE | | | |
| <u>Cost</u> - Department of Higher Education Veterans tuition waiver | (\$319,600) | (\$329,325) | (\$339,550) |
| <u>Cost</u> - Department of Higher Education Foster child tuition waiver | (Greater than \$1,635,068) | (Greater than \$3,433,616) | (Greater than \$5,407,704) |
| <u>Cost</u> - Department of Higher Education Personal Service | (\$46,940) | (\$58,018) | (\$59,759) |
| Fringe Benefits | (\$21,245) | (\$26,259) | (\$27,047) |
| Equipment and Expenses | (\$6,095) | (\$483) | (\$497) |
| <u>Total Costs</u> - DHE | (\$74,280) | (\$84,760) | (\$87,303) |
| FTE Change -DHE | 1.25 FTE | 1.25 FTE | 1.25 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(Greater than \$2,028,948)</u> | <u>(Greater than \$3,847,701)</u> | <u>(Greater than \$5,834,557)</u> |
| Estimated Net FTE Change on General Revenue | 1.25 FTE | 1.25 FTE | 1.25 FTE |
| <u>FISCAL IMPACT - Local Government</u> | FY 2008 (10 Mo.) | FY 2009 | FY 2010 |
| | <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.

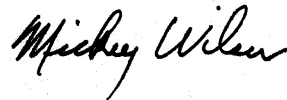
FISCAL DESCRIPTION

This bill allows the spouse and children of a soldier who is killed in action after September 11, 2001, or who becomes 80% disabled as the result of an injury sustained in combat action after September 11, 2001, to receive an educational grant for tuition at a public or private college or University in Missouri. The Coordinating Board of Higher Education will award up to 25 grants annually. If the waiting list of eligible survivors exceeds 50, the board can ask the General Assembly to increase the number of grants it is authorized to award. The tuition grant cannot exceed what is charged a resident by the University of Missouri-Columbia. The veteran must have been a Missouri resident at the time of death or injury in order for his or her survivors to receive this grant. In addition to the full cost of tuition, the grant includes \$2,000 per semester for room and board and the actual cost of books up to \$500 per semester. Children are eligible to receive the scholarship until age 25. Spouses are eligible until age 45. No eligible student will receive a grant for more than 100% of tuition when combined with similar funds given to the student.

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
Office of the Secretary of State
Department of Public Safety
Veterans Commission
National Guard
Department of Social Services



Mickey Wilson, CPA
Director
February 5, 2007