

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0997-01
Bill No.: HB 438
Subject: Education, Higher; Higher Education Department
Type: Original
Date: March 12, 2007

Bill Summary: This proposal establishes the Twenty-First Century Scholars Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$49,593)	(\$54,247)	(\$55,873)
Total Estimated Net Effect on General Revenue Fund	(\$49,593)	(\$54,247)	(\$55,873)

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 6 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 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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

Officials at the **Department of Higher Education (DHE)** assume this proposal would provide a scholarship in the amount of full tuition (at a public higher education institution) or the total amount of unmet need, whichever is less. The fiscal impact of this bill cannot be accurately predicted but it is reasonably clear it would be significant. Since the DHE would be responsible for promulgating rules and regulations for this program, establishing the minimum eligibility standards, administering the program, processing the application and disbursing the funds, it will require a considerable increase in the staff workload at the department.

Because of the number of criteria on which eligibility is based, the number of students that would qualify and ultimately take advantage of this program is difficult to predict. However, based on data from the Department of Elementary and Secondary Education, the DHE and assumptions regarding student utilization, the following conservative projection has been developed.

Approximately 55,000 students graduate from public high schools each year. Based on data for all students enrolled in elementary and secondary grades, approximately 40 percent of students statewide are eligible for free and reduced lunches. In addition, approximately 60 percent of students attend some form of postsecondary education after high school. Finally, the department assumes that approximately 50 percent of these students will agree to sign the required agreement in grade 8, will maintain compliance with the provisions of that agreement, and graduate with a 2.0 GPA for all four high school grades. These data result in an eligible pool of students of approximately 7,040.

Based on the average public tuition at four year public colleges and universities of \$6,101 for Fall 2006, the total scholarships that would be awarded to this entering class of students would be $7,040 \times \$6,101 = \$42,951,040$. After four years of operation, with a projected attrition rate to graduation of 50 percent, the total cost of the program for four years and beyond would be \$102,222,255 per year.

There are several caveats to this projection that must be acknowledged. First, these projections are based on data relating only to public high school graduates. While there are a substantial number of private high school graduates in Missouri, data is not available to include them in this calculation and those students would likely raise the number of eligible students. Second, it is not clear what institutions may be included in the definition of "postsecondary education institution other than a four year institution of higher education." Based on the definition this may include a wide range of vocational technical schools and, since the program would potentially pay full tuition and fees to attend those institutions, this provision could increase the

ASSUMPTION (continued)

cost substantially.

Due to the complexity of this proposed program, 1.0 FTE for a Program Specialist would be needed for FY 2008 and beyond. This position would be responsible for overall administration of this program, including reviewing applications, monitoring students for continued eligibility, certification of renewals and working with participating institutions in order to distribute funds accurately and smoothly.

The estimated total cost to administer the program, including the scholarship payments and the FTE necessary to administer the program, ranges from \$43,000,633 to \$102,278,128 on the low end to an unknown amount on the upper end for the first three years the program is in effect. Since the program is based on an eighth grade cohort, the first occurrence of costs for this program would likely be FY 2012.

Oversight agrees it is difficult to determine the number of students who would apply of this scholarship and has reflected in this note DHE's assumptions. Oversight assumes that due to the number of criteria on which eligibility is based, DHE would need 1 FTE to administer the program.

Officials at the **Office of the State Treasurer** and **Department of Elementary and Secondary Education** assume no fiscal impact from this proposal.

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>Costs - Department of Higher Education</u>			
Personal Service	(\$30,042)	(\$37,132)	(\$38,245)
Fringe Benefits	(\$13,597)	(\$16,806)	(\$17,310)
Equipment and Expense	(\$5,954)	(\$309)	(\$318)
<u>Total Costs - DHE</u>	<u>(\$49,593)</u>	<u>(\$54,247)</u>	<u>(\$55,873)</u>
FTE Change - DHE	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(\$49,593)</u>	 <u>(\$54,247)</u>	 <u>(\$55,873)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 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 establishes a new scholarship, the Twenty-first Century Scholars Program, to be administered by the Department of Higher Education. A student will be eligible for the program if he or she:

- (1) Is a Missouri resident;
- (2) Is enrolled in the eighth grade in a public or private school;
- (3) Is eligible for the free or reduced lunch program;

FISCAL DESCRIPTION (continued)

(4) Signs an agreement, along with his or her parents, to finish high school; to apply for college admission and financial aid; and pledging not to drive while intoxicated, use drugs, run away, or become truant; and

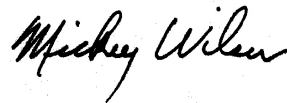
(5) Has a 2.0 grade point average upon graduation from high school.

The amount of the scholarship varies based on the choice of the college and the availability of other financial assistance. Scholarships may be granted for up to eight semesters, and participating colleges must create mentoring programs for scholarship recipients.

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
Department of Elementary and Secondary Education
Office of the Secretary of State
Office of the State Treasurer



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Director
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