

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1025-01
Bill No.: HB 313
Subject: Education, Higher; Higher Education Department
Type: Original
Date: February 5, 2007

Bill Summary: This proposal revises the A+ Schools Program and creates the "Community College Associate Degree Transfer Incentive Scholarship Program."

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$1,192,123 to \$8,269,593)	(\$2,301,848 to \$16,494,247)	(\$3,127,291 to \$24,715,873)
Total Estimated Net Effect on General Revenue Fund	(\$1,192,123 to \$8,269,593)	(\$2,301,848 to \$16,494,247)	(\$3,127,291 to \$24,715,873)

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 9 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
State Treasurer's Office	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 160.545: A+ Schools Program

Officials at the **Department of Higher Education (DHE)** assume this legislation expands the A+ program, which will not impact DHE. However, the expansion of A+ will have a negative fiscal impact on the state, as this program is largely viewed as an entitlement.

According to the provisions related to qualified private vocational and technical schools, at least one institution, Ranken Technical College, may become eligible for A+ reimbursements. Depending on the interpretation of “any public or private vocational or technical school,” other private institutions may also become A+ eligible since the term is not defined. Ranken annually averages 200 first time students from Missouri. If half of these Missouri students are eligible for A+ reimbursements, 100 additional A+ awards will be given each year. The legislation specifies that the tuition reimbursement for course work offered at the local community college shall not exceed the tuition charged by the community college. The fall 2006 tuition and fee rate for St. Louis Community College (Ranken’s local community college district) is \$2340 in-district and \$3090 out-of-district. Assuming that half of the students are in-district and half out-of-district, the total cost per year is \$271,500, or \$543,000 for these students to receive an associate degree (two-year program).

Officials at the **Department of Elementary and Secondary Education** state that as of July 1, 2006, there were 224 high schools designated A+ out of 565 high schools. It is unknown how many A+ students currently attend the institutions described in this proposal or how many may attend if the legislation should pass.

In addition, allowing private institutions to participate in the A+ program would require the entire A+ program to move to an IFB (invitation for bid) process in order to comply with the provisions of Chapter 34 RSMo. The IFB process would require at least 1.0 FTE supervisor.

Officials at the **Metropolitan Community College** assume no fiscal impact on the school unless an eligible school were to be established in the Kansas City metropolitan area.

Officials at the **Linn State Technical College** assume a potential loss of \$1,582,200 from A+ students. They calculated this loss of A+ students at ½ their current A+ eligible students over a two year period.

ASSUMPTION (continued)

Oversight assumes that this proposal is expanding the existing A+ program to allow students to attend private vocational and technical schools instead of the current public only schools. For the private school to participate the school must meet certain requirements. Oversight assumes that few private schools will meet the rigorous requirements to be eligible for participation. Oversight assumes that the Department of Elementary and Secondary Education can absorb the cost of monitoring the additional schools with existing resources.

Section 173.272: Community College Associate Degree Transfer Incentive Program Fund

Officials at the **Department of Higher Education (DHE)** assume the proposed legislation would create the "Community College Associate Degree Transfer Incentive Program Fund" to provide scholarships to graduates of eligible two-year institutions continuing their education at public or private four-year institutions. The CBHE would be responsible for promulgating rules and regulations for this program, establishing rules that limit the funds to be used for administrative costs, establishing a method to determine need and disbursing funds to institutions.

The number of associate of art and associate of science degrees conferred by the public two-year institutions in Missouri for FY 2006 was 3,288. However, this number likely does not include all eligible degree recipients. An additional 8,129 degrees other than associate of art and associate of science were conferred by institutions in Missouri in FY 2006. Definitive data is not available to determine the number of other associate degrees that include the 42-hour general education core, and additional institutions with this 42-hour general education core may emerge with students eligible for this program. It is difficult to determine the number of eligible recipients who would qualify as the participating institutions' eligibility requirements, which include need, are unknown at this time. In addition, the number of those who would take advantage of this program is also unknown.

Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2008 that a minimum of 822 (25% of those receiving associate of art and associate of science degrees) students qualify for this program. At the minimum award amount of \$1,000 per student, the first year of grants would total \$822,000. For subsequent years the cost rises exponentially to account for returning students. Therefore, in FY 2009 the total would double to \$1,644,000 and triple in FY 2010 to \$2,466,000 to include the returning students and a group of new students.

To estimate the possible cost to fully fund the program, a maximum rate was established based on gross average tuition of \$10,000 at public four-year institutions and independent institutions. Since the bill allows for a maximum of four years, it is possible that costs could range from a minimum of \$822,000 to a maximum of \$24,660,000, if fully funded.

ASSUMPTION (continued)

It is likely that as more students become aware of this scholarship, the number of those taking advantage of it will increase. In addition, the award amount of \$1,000 is not capped at this level, rather this is the minimum amount. Therefore any increase in the number of recipients or award amount would result in a larger fiscal cost.

Since the Grant and Scholarship Program Administration staff has suffered severe budget cuts of more than 60% in the last few fiscal years, and is already working to capacity on administering seven state grant and scholarship programs, 1.0 FTE of a Program Specialist position at an estimated salary of \$35,000 plus associated expense and equipment would be needed in FY 2008. This Program Specialist would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly. If multiple new financial assistance programs are enacted in FY 2007, some economies of scale may be gained, which would affect the amount of additional staff needed.

Officials at the **Missouri State University (MSU)** assume MSU currently has a modest community college transfer scholarship program. Missouri public community college presidents may each nominate two students to receive this scholarship. MSU also have a transfer academic scholarship available to students from community colleges top apply for who have at least 45 transferable credit hours and a 3.60 cumulative GPA. The currently proposed legislation would enhance the potential for community college transfer students to move on and complete a bachelors's degree. It should encourage more community college students to complete bachelor's degrees.

The transfer scholarship program proposed should be good for MSU, adding to enrollment to some degree. It would be very good for students and sends a clear message of the importance for community college students to go forward to complete a bachelor's degree. The implementation of this new scholarship program will add somewhat to the workload in the financial aid division of student affairs, due to additional applications and reports, but this should be manageable. On the negative side, since the scholarship program can be utilized in private colleges there is some potential that this funding flow to private colleges could slightly reduce funding to public higher education institutions.

Oversight assumes that it is difficult to determine the total number of students who would be eligible for this program or the amount of tuition those students pay. Oversight assumed for the purposes of this fiscal note that at least 25% of all associate art and science degree students would qualify for this program with a minimum award of \$1,000 to a maximum amount (using the average award of \$10,000). Oversight recognizes that the cost of this program could be

ASSUMPTION (continued)

greater if the number of students is greater than 25%.

Officials at the **Office of the State Treasurer (STO)** state they only ensure the disbursements are made from a lawful appropriation and don't exceed the amount of the appropriation. STO suggests the following wording change: "The state treasurer shall be custodian of the fund. In accordance with Sections 30.170 and 30.180 RSMo, the state treasurer may approve disbursements." If the wording isn't changed, STO will need an FTE (Accounting Specialist I - \$39,324 plus \$17,762 fringe = \$57,086) to monitor these disbursements. (This will be allocated proportionately as a retention of interest earnings on state funds in accordance with Section 30.605 RSMo).

Oversight assumes the Office of the State Treasurer will need an FTE to monitor disbursements from the fund.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Officials at the **University of Missouri (UM)** assume UM would incur little additional costs as a result of this proposal.

Officials at the **St. Louis Community College, Truman State University, University of Central Missouri** each assume no fiscal impact to their institutions from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost</u> - Department of Higher Education A+ Scholarships	(Greater than \$271,500)	(Greater than \$543,000)	(Greater than \$814,500)
<u>Cost</u> - Department of Higher Education Transfer Incentive Program	(\$822,00 to \$8,220,000)	(\$1,644,000 to \$16,440,000)	(\$2,466,000 to \$24,660,000)
<u>Cost</u> - Department of Higher Education 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</u> - DHE	(\$49,593)	(\$54,247)	(\$55,873)
FTE Change - DHE	1 FTE	1 FTE	1 FTE
<u>Cost</u> - State Treasurer's Office Personal Service	(\$33,753)	(\$41,719)	(\$42,970)
Fringe Benefits	(\$15,277)	(\$18,882)	(\$19,448)
<u>Total Costs</u> - State Treasurer's Office	(\$49,030)	(\$60,601)	(\$62,418)
FTE Change- STO	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$1,192,123 to \$8,269,593)	(\$2,301,848 to \$16,494,247)	(\$3,127,291 to \$24,715,873)
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 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.

JH:LR:OD (12/06)

FISCAL DESCRIPTION

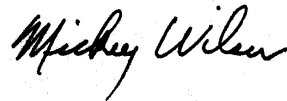
This bill allows two-year public and private nonprofit vocational and technical schools to participate in the A+ Schools Program if they are accredited by the Higher Learning Commission as of July 1, 2007, and are nonprofit organizations under federal tax law. Reimbursements to private schools must not exceed the community college tuition rate for similar course work offered within the service area of a community college or violate the constitutional provisions that prohibit the use of public funds for religious purposes.

The Community College Associate Degree Transfer Incentive Program is established for students who transfer from a public community college, or other two-year institution recognized by the Department of Higher Education to grant associate degrees, to a public or private four-year institution. Eligible students must have an associate of arts degree or a degree that contains 42 credit hours of general education core curriculum courses. Participating four-year institutions will establish additional eligibility requirements and apply to the Coordinating Board for Higher Education for funds to offer the scholarships. Scholarships may continue for a minimum of four semesters to a maximum of four years, with a minimum annual level, which may be prorated for part-time students, of \$1,000, not to exceed the cost of attendance. The primary criterion will be need.

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
Department of Revenue
Office of the State Treasurer
St. Louis Community College
Linn State Technical College
Truman State University
Metropolitan Community College
University of Missouri
University of Central Missouri
Missouri State University

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 5, 2007