

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4010-01  
Bill No.: HB 1577  
Subject: Education, Higher; Elementary and Secondary Education  
Type: Original  
Date: March 10, 2008

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Bill Summary: This proposal adds two-year public and private vocational or technical schools to the A+ Schools Program and creates the "Community College Associate Degree Transfer Incentive Scholarship Program."

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	(\$1,299,710 to \$11,320,210)	(\$2,538,825 to \$22,599,525)	(\$3,628,235 to \$33,493,535)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,299,710 to \$11,320,210)</b>	<b>(\$2,538,825 to \$22,599,525)</b>	<b>(\$3,628,235 to \$33,493,535)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Dept. of Higher Education	1	1	1
Office of the State Treasurer	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### **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 the DHE.

Ranken Technical College is currently the only school who is not eligible for A+ reimbursement that would become eligible if this bill is passed. 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 cap on eligible students would be at 200 as only students in 2 year institutions are eligible to receive the scholarship. The legislation specifies that the tuition reimbursement shall not exceed the tuition charged by the community college. The fall 2007 tuition and fee rate for St. Louis Community College (Ranken's local community college district) is \$2340 in-district and \$3,540 out-of-district. Assuming at 4% inflation rate for each year and that half of the students are in-district and half out-of-district, the total cost per year ranges from \$121,700 (50 students X \$2,434 in-state tuition rate ) to \$368,200 (100 students X \$3,682 out-of-state tuition rate) for these students to receive an associate degree (two-year program).

Officials at the **Department of Elementary and Secondary Education (DESE)** state that as of July 1, 2007, there were 231 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 one FTE supervisor.

**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 also create the Community College Associate Degree Transfer Incentive Program

ASSUMPTION (continued)

(commonly known as the "completer scholarship") to provide scholarships to public two-year institution graduates continuing their education at public or private four-year institutions. The DHE would be responsible for promulgating rules and regulations for this program, establishing performance standards that provide for the continuation of the scholarship, developing all procedures associated with operating the program, and disbursing funds to institutions.

An ambiguity in the bill makes it impossible to estimate the fiscal impact of this bill to any degree of certainty. The following estimate is based on the assumption that only graduates of PUBLIC two-year institutions may receive the scholarship described in this bill. It is also based on the assumption that the bill would be legally enforceable.

Missouri's community colleges conferred 8,223 associate's degrees in FY 2007 and Linn State Technical College and Missouri State University–West Plains conferred an additional 461 associate's degrees, for a total of 8,684 awarded in the public two-year sector. While the DHE has no specific data on completion of the statewide articulated 42-hour general education block, it is generally presumed to be contained in the associate of arts (AA) degree, of which a minimum of 3,881 were awarded by public two-year institutions statewide in FY 2007. This total is almost certainly somewhat low, however, as several institutions report only associate's degrees awarded, and do not report subtotals for the AA, associate of applied science (AAS), and or associate of science (AS) degrees.

At the minimum award amount of \$1,000 per student, the first year of grants would total \$2,032,000. For subsequent years the cost rises to account for returning students and a new cohort of students each year, and assumes that tuition increases at the rate of inflation, and that the rate of inflation for the next three years is the same as it was for December 2006-December 2007 (4%). Therefore, in FY 2010 the total would be \$4,226,560 and \$6,593,433 in FY 2011. Since the bill allows for a maximum of four years it is possible to reach a cost of \$9,142,894 in FY 2012. Furthermore, 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 \$1,000 award is not capped at this level -- rather this is the minimum amount. Any increase in the number of recipients or award amount would therefore result in a larger fiscal cost.

The DHE estimates that one FTE of a Program Specialist position at an estimated salary of \$35,000 plus associated expense and equipment would be needed in FY 2009 to implement this program. This Program Specialist would be responsible for overall administration of the program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

ASSUMPTION (continued)

Officials at the **Office of the State Treasurer (STO)** state the STO only ensures that 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, the STO will need an FTE (Accounting Specialist I - \$39,126 plus \$16,914 fringe = \$56,040) 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.)

Officials at the **Linn State Technical College** assume their school is in East Central College's district. FY2009: The difference in tuition loss would be \$87 (East Central College) and \$140 (Linn State Technical College), a difference of \$53 per credit hour. Based on FY 2008 total credit hours billed would result in a loss of \$442,179. FY2010: \$460,404. FY 2011: \$468,930. As a public institution, Linn State Technical College cannot be a 501(c)(3) entity, as they would face the loss of all A+ reimbursement resulting in a potential loss of \$1.3 million in FY 2009, \$1.3 million in FY 2010, and \$1.3 million in FY 2011.

Officials at the **University of Missouri, Metropolitan Community College, Missouri State University, Department of Revenue, Lincoln University, University of Central Missouri** assume that there is no fiscal impact from this proposal.

Officials at the **Truman State University** assume they are unable to determine the fiscal impact of this proposal.

**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 assumes that since 50% of all schools are A+ schools then 50% of all students at Community College came from A+ schools. Oversight assumed for the purposes of this fiscal note that at least 25% of the 50% of Community College 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 greater if the number of students is greater than 25%.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Costs - Dept. of Higher Education</u>			
A+ Scholarships	(\$121,700 to \$368,200)	(\$253,100 to \$765,800)	(\$253,100 to \$796,400)
<u>Costs - Dept. of Higher Education</u>			
Transfer Incentive Program	(\$1,086,000 to \$10,860,000)	(\$2,172,000 to \$21,720,000)	(\$3,258,000 to \$32,580,000)
<u>Costs - DHE</u>			
Personal Service	(\$30,042)	(\$37,132)	(\$38,245)
Fringe Benefits	(\$13,285)	(\$16,420)	(\$16,912)
Expenses & Equipment	<u>(\$250)</u>	<u>(\$309)</u>	<u>(\$318)</u>
<u>Total Costs - DHE</u>	(\$43,577)	(\$53,861)	(\$55,475)
FTE Change - DHE	1 FTE	1 FTE	1 FTE
<u>Costs - STO</u>			
Personal Service	(\$33,583)	(\$41,509)	(\$42,754)
Fringe Benefits	<u>(\$14,850)</u>	<u>(\$18,355)</u>	<u>(\$18,906)</u>
<u>Total Costs - STO</u>	(\$48,433)	(\$59,864)	(\$61,660)
FTE Change - STO	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$1,299,710 to \$11,320,210)</u></b>	<b><u>(\$2,538,825 to \$22,599,525)</u></b>	<b><u>(\$3,628,235 to \$33,493,535)</u></b>
Estimated Net FTE Change on General Revenue Fund	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### 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 two-year public and private vocational and technical schools to participate in the A+ Schools Program if they are a member of the North Central Association and accredited by the Higher Learning Commission as of July 1, 2008, 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 of \$1,000, not to exceed the cost of attendance. The amount may be prorated for part-time students. The primary criterion will be need.

The provisions of the bill regarding the transfer incentive program will expire six years from the effective date.

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  
University of Missouri  
Metropolitan Community College  
Truman State University  
Department of Elementary and Secondary Education  
Office of the State Treasurer  
Missouri State University  
Linn State Technical College  
Department of Revenue  
Lincoln University  
University of Central Missouri

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

Mickey Wilson, CPA  
Director  
March 10, 2008