

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5049-05
Bill No.: SCS for HB 1390 with SA 1, SA 2, SA 3, SA 4, SA 5 and SA 6
Subject: Education, Higher; Higher Education Department; Boards, Commissions,
Committees, Councils; General Assembly
Type: Original
Date: May 12, 2014

Bill Summary: This proposal modifies provisions relating to higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Up to \$16,065,065)	(Up to \$16,415,747)	(Up to \$16,750,098)
Total Estimated Net Effect on General Revenue Fund	(Up to \$16,065,065)	(Up to \$16,415,747)	(Up to \$16,750,098)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 17 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Lottery Proceeds	(\$120,000)	(\$120,000)	(\$120,000)
A+ Schools Fund*	\$0	\$0	\$0
Veterinary Student Loan Fund**	\$0	\$0	\$0
Higher Education Funds***	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$120,000)	(\$120,000)	(\$120,000)

*Offsetting Transfers in and Disbursements are: FY 15 - \$12,990,450; FY 16 - \$13,315,519; FY 17 - \$13,648,407

**Offsetting Transfers in and Disbursements are \$120,000 annually

*** Increases or decreases to 4-year public colleges and universities would net out to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	2 FTE	2 FTE	2 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 2015	FY 2016	FY 2017
Local Government*	\$0	\$0	\$0

*Increases or decreases to two-year public colleges would net out to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 their office can sustain with their core budget. Therefore, 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 with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Missouri House of Representatives** and the **Missouri Senate** each assume no fiscal impact beyond existing appropriations.

Officials from the **Joint Committee on Education** state there will be no cost to their agency

ASSUMPTION (continued)

associated with this proposed legislation.

§161.097

Officials from the **Department of Elementary and Secondary Education** assume this section will result in insignificant costs for their agency.

Officials from the **Department of Higher Education (DHE)** assume the proposed legislation in this section would require the DHE to add an additional 2.0 FTE (one Senior Associate and one Research Associate I). The legislation would give the DHE significant responsibilities that could not be allocated to existing staff due to the complexity of establishing standards and procedures by which educator preparation programs are evaluated.

Officials from **Northwest Missouri State University** assume this proposal has the potential of decreasing costs by eliminating duplicative and/or additional processing costs which are significant to fiscal and human resources.

§173.030

With the inclusion of this section, the DHE would be required to review any institution that applies to participate in the reciprocity process and verify the institution meets the criteria for participation. The DHE would also be required to accept and resolve any complaints relating to participating institutions. The fiscal impact estimates it will require .33 FTE to adequately accomplish these tasks. The DHE current has a request for 1 FTE for review of out-of-state public institutions, which could be partially reassigned to this function if it is approved as part of the budget process. The bill also authorizes the DHE to charge fees for approval of institutional participation. It is assumed the fee would be \$300 annual per institution and that 50 institutions will participate in the reciprocity process.

Oversight assumes fees will offset the costs associated with the review and evaluation of applications. It is not known how many institutions of higher education will participate in the reciprocal agreement; therefore, Oversight, for fiscal note purposes only, will assign an offsetting fiscal impact of Up to \$15,000 per year.

§173.1540

Officials from the DHE state an assumption of no fiscal impact is based on the fact that this is solely a distribution or allocation model and does not imply or require a specific level of funding.

LMD:LR:OD

ASSUMPTION (continued)

Its only purpose is to distribute the new funds provided through the appropriation process to each institution. Although some staff time will be required to comply, most of the primary development and implementation tasks have already been completed.

Officials from the **University of Central Missouri (UCM)** provided the following response:

Although UCM supports the performance funding concept, UCM believes there would be a negative financial impact on their institution if there is no provision which would take into account funds previously assigned to an institution based on an approved specific mission, provided that mission is still in effect.

With regard to the adoption of performance measures, there could be a negative fiscal impact on UCM if the measures and/or the methods of assessments that are adopted increase the chances of institutions receiving funds on most if not all elements, whether it is "deserved" or not. For example, improvement is always good but may not warrant performance funding if the performance does not meet some minimal level. Going from a 19% six-year graduation rate to a 20% rate is improvement but not necessarily deserving of performance funding. In contrast, another university that has a 55%, six-year graduation rate, but slips to 54%, may lose performance funding even though its six-year graduation rate is far superior.

Officials from **Missouri Western State University** assume there is a potential loss in revenue on the basis of failure to meet performance standards. Based on past allocations, losses in appropriation as a result of missed standards could be between \$200,000 and \$400,000 per missed performance standard annually.

Officials from **Missouri State University** assume this proposed legislation would have a fiscal impact on their institution, but the extent cannot be quantified at this time.

Officials from **Linn State Technical College** state the fiscal impact is unknown.

Officials from **Kansas City Metropolitan Community College** assume the bill could have a significant but unknown impact on their college.

Officials from **St. Louis Community College** assume no fiscal impact.

Officials from the **University of Missouri System (UM System)** assume the proposed legislation could have a positive impact on the UM System, but it will depend on the structure of

ASSUMPTION (continued)

the formula.

Oversight assumes the proposal could affect public colleges and universities with the proposed re-allocation of funding. Although the amount of funding as a whole would not change, individual institutions could see either an increase, decrease, or no change in funding depending on the allocation of funding described in the proposal.

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

SENATE AMENDMENT 1 (§160.545)

This section requires the Department of Higher Education to establish a reimbursement procedure through the A+ Program for a student's portion of fees for dual credit courses.

In response to SCS for SB 848 (5814-02), the following responses were submitted:

Officials from the **Department of Elementary and Secondary Education** defer to the Department of Higher Education for an estimate of fiscal impact for this proposed legislation.

Officials from the **Department of Higher Education (DHE)** assume this bill would affect the DHE by transferring authority to the DHE from the Department of Elementary and Secondary Education to establish a procedure for the reimbursement of the cost of tuition, books and fees to any public community college or vocational or technical school for any student who meets certain criteria within the A+ Program. This reflects changes that were made as a result of Executive Order 10-16.

The bill would also require the DHE to establish a procedure for the reimbursement of the students' portion of fees for any dual credit courses completed if the students are also eligible for the A+ Program.

While the DHE does not anticipate a cost for the transfer of the A+ program to DHE, there is a substantial cost associated with the reimbursement of dual credit courses. However, the bill does not indicate where the funding would come from, making it difficult to assess where the impact would occur.

LMD:LR:OD

ASSUMPTION (continued)

In Fiscal Year 2012, 173,210 dual credit hours were earned by 54,713 students across the state. It is assumed this level of credit hour production will remain essentially the same during the time frame of the fiscal impact statement, as there was minimal change in previous years. Based on data collected by the DHE, the average cost per credit hour is \$75. Although the cost varies from institution to institution and also by sector (public community college, public four-year, independent), this average was selected as the best approximation for cost across all types of students and institutions.

Assuming each student that was enrolled in dual credit courses is also eligible for A+, the total cost of reimbursement would be \$12,990,750 (173,210 x \$75).

Officials from the **Kansas City Public School District** and the **Special School District of St. Louis County** each assume little to no fiscal impact related to this proposal.

Officials from **Linn State Technical College** state there should be no fiscal impact to their college.

In response to the introduced version of the bill, officials from **St. Charles Community College** estimate one new full-time staff position would be required to coordinate the requirements of this proposed legislation. The estimated annual cost is \$55,000 for salary and benefits.

Oversight assumes administrative costs for colleges to implement this proposal can be absorbed with existing resources.

SENATE AMENDMENT 2 (\$340.396)

This section repeals the sunset provisions of the large animal veterinarian loan program.

In response to HB 1998 (6195-01), the following responses were received:

Officials from the **Department of Agriculture** and the **Department of Higher Education** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **University of Missouri**, and the **State Treasurer's Office** each assumed the proposal would not fiscally impact their respective agencies.

Oversight assumes the Veterinary Student Loan Payment Fund (0803) receives transfer

ASSUMPTION (continued)

payments from the Lottery Proceeds Fund (0291) as appropriated each fiscal year. In FY13 the Veterinary Student Loan Payment Fund had actual expenditures of \$120,000.

Oversight assumes this proposal would repeal the expiration date of the Large Animal Veterinarian Student Loan Program of June 30, 2013. Therefore, Oversight will show a cost of \$120,000 each fiscal year to the Lottery Proceeds Fund transferred to the Veterinary Student Loan Payment Fund for the continuation of this program.

SENATE AMENDMENT 3 (§§173.760; 173.675; 173.680)

This amendment requires the Department of Higher Education to develop a program to offer information technology certification through technical course work.

In response to SB 941 (5948-02), the following responses were submitted:

Officials from the **Department of Elementary and Secondary Education** state this proposal will have no fiscal impact on their agency or on school districts.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the **Department of Higher Education (DHE)** provided the following assumptions regarding this proposed legislation:

§173.670 - Requires the DHE to develop a grant program for consortiums of public two and four year colleges and universities and school districts to offer information technology instructional programs. This would require the DHE to develop application materials, definitions for eligibility, and program parameters as well as administering the grant program once operational.

§173.675 - Requires the DHE to develop a program of information technology certification through technical course work for postsecondary credit. Although this process would be based on existing vendor-specific certifications, it would still require DHE staff to conduct the related

ASSUMPTION (continued)

research to identify appropriate certifications and to establish the process for the awarding of certification and the acceptance of credit for completing the certification.

§173.680 - Requires the DHE to conduct a study to identify the information technology certifications most requested by Missouri employers.

DHE assumes the actual development of the grant program and the information technology certification program would have only minimal costs to the DHE. Since the legislation does not mandate the appropriation of funds for the grant program, no costs are included relating to funds that might be distributed through the grant program process. However, the bill does require the DHE establish information technology certifications. In order for these programs to be adequately staffed and administered once developed, additional staff resources would be necessary. Consequently, DHE has assumed that .33 FTE of a research associate would be sufficient to handle the tasks related to operating the institutional grant program and overseeing the development and implementation of the technical certification program.

Oversight assumes duties associated with this proposal can be performed with existing resources and with the assistance of other entities, as outlined in the bill.

Officials from **Northwest Missouri State University, Missouri State University, the University of Missouri System, Missouri Western State University, and the University of Central Missouri** each assumed no fiscal impact to their respective institutions.

Officials from **Linn Technical State College** assumed a potential positive impact on their institution.

SENATE AMENDMENT 4 (§161.097)

Qualifying scores for assessments for state educator certification and any related competencies shall be established jointly by the State Board of Education and the Coordinating Board for Higher Education.

Officials from the **Department of Higher Education** assume this amendment would make several technical changes to the language relating to the approval of teacher preparation programs by the State Board of Education and the Coordinating Board for Higher Education. None of these changes would have a fiscal impact beyond that previously included for this component of the legislation.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume the provisions in the amendment, as written, could place in jeopardy the state's ability to fulfill its contract for assessment administration and development resulting in an estimated loss of approximately \$500,000 within the next six months (the potential loss beyond that time frame could be significantly higher) and could halt the issuance of educator certificates required by statute for licensure resulting in significant unknown costs to the state and school districts.

Oversight assumes the concern about potential inability to fulfill contracts is speculative and, for fiscal note purposes only, will not assign fiscal impact.

SENATE AMENDMENT 5 (§160.254)

This section requires the Joint Committee on Education to conduct a study of the higher education academic scholarship program, the access Missouri financial assistance program, and the reimbursement portion of the A+ schools program.

Officials from the **Joint Committee on Education** state there is no cost to the Committee beyond their regular appropriation.

SENATE AMENDMENT 6 (§173.250.10)

The Coordinating Board for Higher Education (CBHE) shall establish a procedure to allow students who meet certain requirement, as outlined in the amendment, to receive funds to cover the student's portion of fees for any dual credit courses or dual enrollment courses completed while the student is in high school.

Officials from the **Department of Higher Education** assume this amendment would require that the CBHE establish a procedure for reimbursing certain students for dual credit and dual enrollment classes completed while the student was in high school if they attend a public high school, achieve a qualifying score (that is, a score in the top five percent of ACT /or SAT test takers), are a Missouri resident, and are a citizen or permanent resident of the United States. Since the language indicates students are eligible under this specific subsection and not the Bright Flight program in general, it is assumed any student meeting the criteria listed in the new subsection would be eligible regardless of whether they receive a Bright Flight award.

According to data reported by ACT, 3,646 of the 2013 high school seniors achieved a qualifying score of 30 or above, which is currently the top five percent of test takers. Based on data from the federal Digest of Educational Statistics, approximately 10 percent of the state's high school

ASSUMPTION (continued)

graduates come from non-public high schools. DHE assumes a similar proportion of the ACT test takers are from private high schools. That would mean 3,282 individuals would be potentially eligible from this graduating class. Because DHE does not have data on which to base an estimate otherwise, DHE assumes all of these individuals are Missouri residents and US citizens or permanent residents.

The DHE only gathers data for dual credit coursework completed by high school students. It is assumed dual enrollment students are similar enough to be counted in the same way. Based on data gathered by the DHE, the average student that takes dual credit courses completes 6 credit hours per year. Since most students take coursework during both their junior and senior years in high school, DHE assumes the average student would have completed 12 credit hours upon graduation. While it is likely students that score in the top five percent of test takers would complete more dual credit courses, DHE does not have data that would confirm that fact or estimate how many more hours they would complete. Consequently, DHE assumes all of the eligible students have completed 12 credit hours of dual credit or dual enrollment.

Based on a survey conducted by the DHE, the average cost of dual credit courses is \$75 per credit hour. It is assumed dual enrollment costs are the same.

Based on these figures, the total number of credit hours to be reimbursed for the class of 2013 would be 39,384 (3,282 x 12). At a cost of \$75 per credit hour, the total cost to reimburse these students for their dual credit/dual enrollment coursework would be \$2,953,800. (39,384 x \$75). DHE did not assume any additional costs for books, program fees, or other possible costs relating to dual credit or dual enrollment.

DHE assumes the requirements of this amendment will require the reprogramming of the current system used by the DHE to administer the state aid programs under its jurisdiction. It is not feasible to manually administer a program that would potentially include between 3,000 and 4,000 students per year. While DHE has not had time to verify the programming costs with ITSD, based on an estimate developed for a similar proposal for A+ students, DHE would assume that cost would be approximately \$200,000. DHE has assumed that, with this technology cost, there would not be a need for additional staffing to administer this proposal.

Oversight assumes programming costs were not factored in SB 848, therefore, Oversight assumes those costs will be absorbed with core funding.

DHE assumes the amendment does not have a beginning date and so it is possible to conclude that students that had previously graduated from high school and met the specified requirements

ASSUMPTION (continued)

would be eligible for this reimbursement. Based on this assumption, the cost could be multiples of the amount quoted above. For example, if it was determined that the individual still needed to be enrolled in college to receive a payment, the number of eligible students in the initial year could be as high as 13,000. Based the same assumptions, this would make the initial year cost approximately \$11.7 million.

Oversight assumes it is unknown how many students that qualify for reimbursement under this subsection also qualify for the A+ reimbursement program as outlined earlier in the section. For fiscal purposes only, Oversight will assume a cost of (Up to \$2,953,800) per year.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Income</u> - Department of Higher Education (DHE) - Participation fees (§171.030)	Up to \$15,000	Up to \$15,000	Up to \$15,000
<u>Transfer Out</u> - DHE - A+ Scholarship Program (§160.545 - SA 1)	(\$12,990,450)	(\$13,315,519)	(\$13,648,407)
<u>Costs</u> - DHE - Review and evaluation of applications (§171.030)	(Up to \$15,000)	(Up to \$15,000)	(Up to \$15,000)
<u>Costs</u> - DHE - Reimbursement of student fees for dual credit courses (§173.250.10 - SA 6)	(Up to \$2,953,800)	(Up to \$2,953,800)	(Up to \$2,953,800)
<u>Costs</u> - DHE - Teacher preparation oversight (§161.097)			
Personal Services (2 FTE)	(\$80,007)	(\$96,969)	(\$97,938)
Fringe Benefits	(\$40,808)	(\$49,459)	(\$49,953)
Total Costs DHE	(\$120,815)	(\$146,428)	(\$147,891)
FTE Change - DHE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Up to \$16,065,065)</u>	<u>(Up to \$16,415,747)</u>	<u>(Up to \$16,750,098)</u>
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE
LOTTERY PROCEEDS FUND			
<u>Costs</u> - Department of Agriculture - Transfer to the Veterinary Student Loan Payment Fund (§340.396 - SA 2)	(\$120,000)	(\$120,000)	(\$120,000)
ESTIMATED NET EFFECT ON LOTTERY PROCEEDS FUND	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
A+ SCHOOLS FUND			
<u>Transfer In</u> - General Revenue - A+ Scholarship Program (§160.545 - SA 1)	\$12,990,450	\$13,315,519	\$13,648,407
<u>Costs</u> - Disbursement to students (fees) (§160.545 - SA 1)	<u>(\$12,990,450)</u>	<u>(\$13,315,519)</u>	<u>(\$13,648,407)</u>
ESTIMATED NET EFFECT ON A+ SCHOOLS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
VETERINARY STUDENT LOAN PAYMENT FUND			
<u>Transfer In</u> - Lottery Proceeds - Transfer of funds for veterinary student loans (§340.396 - SA 2)	\$120,000	\$120,000	\$120,000
<u>Transfer Out</u> - Student loans for large animal veterinary students (§340.396 - SA 2)	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>
ESTIMATED NET EFFECT ON THE VETERINARY STUDENT LOAN PAYMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
(Continued)	(10 Mo.)		

HIGHER EDUCATION FUNDS

<u>Transfer In</u> - Four-year Colleges and Universities and State Technical College - Increased funding based on performance measures (§§173.1540 & 178.638)	\$0	Unknown	Unknown
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<u>Loss of Funding</u> - Four-year Colleges and Universities and State Technical College - Decreased funding based on performance measures (§§173.1540 & 178.638)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON HIGHER EDUCATION FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
	(10 Mo.)		

LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In</u> - Two-year Colleges - Increased funding based on performance measures (§163.191)	\$0	Unknown	Unknown
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<u>Loss of Funding</u> - Two-year Colleges - Decreased funding based on performance measures (§163.191)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

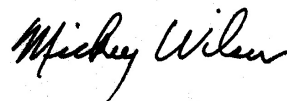
No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation modifies provisions relating to the authorization for funding and administrative processes in higher education.

SOURCES OF INFORMATION

Department of Higher Education
Department of Elementary and Secondary Education
Joint Committee on Education
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Missouri Senate
Missouri House of Representatives
Schools
 Kansas City Public Schools
 Special School District of St. Louis County
Colleges and Universities
 University of Missouri System
 Missouri Western State University
 Missouri State University
 University of Central Missouri
 Linn State Technical College
 Kansas City Metropolitan Community College
 St. Charles Community College
 St. Louis Community College
 Northwest Missouri State University



Mickey Wilson, CPA
Director
May 12, 2014

L.R. No. 5049-05
Bill No. SCS for HB 1390 with SA 1, SA 2, SA 3, SA 4, SA 5 and SA 6
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