

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4626-01
Bill No.: HB 1368
Subject: Veterans; Department of Higher Education
Type: Original
Date: January 29, 2018

Bill Summary: This proposal changes the law regarding the Missouri Returning Heroes Education Act.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| University Funds | (Less than \$1,000,000) | (Less than \$1,000,000) | (Less than \$1,000,000) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | (Less than \$1,000,000) | (Less than \$1,000,000) | (Less than \$1,000,000) |

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

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education** and the **Department of Public Safety - Missouri Veterans Commission** assume the proposal will have no fiscal impact on their organizations.

Officials from **Missouri State University** assume there is a negative fiscal impact to the university.

Officials from **Missouri Western State University** assume the proposal will result in minimal fiscal impact to the university.

Officials from the **University of Missouri System** assume the estimated cost of this fiscal note is between \$5.8 million to \$7.3 million. The largest cost is estimated to be at the University of Missouri St. Louis campus because they have the largest number of combat veterans who would qualify. The second largest cost would be at the University of Missouri Columbia campus.

Officials from the **University of Central Missouri** assume this proposal would result in a minimum loss of revenue of \$204.65 per credit hour. A graduate student on average completes 9 hours per semester. This would be an annual loss per student of approximately \$3,700. The estimated total amount of annual revenue loss is currently unobtainable as the data on the number of students that would be eligible for this program is not available.

Officials from the **State Technical College of Missouri** assume this proposal would have no impact.

Oversight notes this proposal makes changes to the Missouri Returning Heroes' Education Act (Act). The Act currently requires public institutions of higher education in this state to limit the amount of tuition that is paid by combat veterans to no more than \$50 per credit hour. This \$50 per credit hour limit is applied only if the veteran is enrolled in a program leading towards a certificate, associate or baccalaureate degree.

Oversight notes this proposal expands the Act to limit the amount that public institutions of higher education can charge for veteran students working toward a graduate degree to no more than 30% of the cost of tuition and fees for those working toward the graduate degrees include masters degrees and doctorate degrees.

ASSUMPTION (continued)

Oversight estimates the number of military veterans attending graduate school to be 1,353 based on data from the National Center Education Statistics and the U.S. Census Bureau. Oversight notes the average cost for graduate tuition and fees in Missouri is estimated at \$8,895 per year. If 70% of the graduate tuition and fees were waived, the average amount of waived tuition and fees per year per student would total \$6,226 ($\$8,895 * .70$). Oversight has no way to narrow the number of military veterans attending graduate school listed above to only those meeting the criteria for ‘combat veterans.’ Below is the estimated cost for the graduate tuition waiver assuming different qualification rates and participation rates:

Table I

| Qualifies and Participates Rate | Number of Students | Average Tuition Waived (Per Year) |
|--|---------------------------|--|
| 5% | 68 | \$423,368 |
| 25% | 338 | \$2,104,388 |
| 50% | 676 | \$4,208,776 |
| 100% | 1352 | \$8,417,552 |

Oversight requested from the Department of Higher Education the amount of tuition and number of students whose tuition has been waived in the past under this \$50 per credit hour existing program. The Department stated they do not routinely gather this information. The last time they asked the institutions for this information was 2011. At that time the institutions reported the one year tuition waiver listed below:

Table II

| Institution | Tuition Waived | Number of Students |
|--------------------------------|-----------------------|---------------------------|
| Crowder | \$3,967 | 11 |
| East Central Community College | not reported | |
| Harris- Stowe | \$8,094 | 2 |
| Jefferson College | \$12,215 | 24 |
| Lincoln University | \$11,977 | 6 |

| Institution | Tuition Waived | Number of Students |
|-------------------------------------|-----------------------|---------------------------|
| Metropolitan Community College | not reported | |
| Mineral Area Community College | \$608 | 1 |
| Missouri Southern State University | \$7,690 | 10 |
| Missouri State University | \$173,816 | 40 |
| Missouri Western State University | \$18,311 | 12 |
| Moberly Area Community College | \$28,935 | 40 |
| North Central Community College | \$0 | 0 |
| Northwest Missouri State University | \$9,730 | 4 |
| Ozark Technical College | \$34,388 | 87 |
| Southeast Missouri State University | \$84,766 | 56 |
| St. Charles Community College | \$21,090 | 37 |
| St. Louis Community College | not reported | |
| State Fair Community College | \$2,512 | 10 |
| State Technical College of Missouri | \$33,061 | 11 |
| Three Rivers Community College | \$4,702 | 13 |
| Truman State University | \$0 | 0 |
| University of Central Missouri | \$75,485 | 22 |
| University of Missouri | \$443,586 | 207 |
| Total | \$974,933 | 593 |

Based on the information above, **Oversight** notes the cost to the colleges and universities of the existing Missouri Returning Heroes program was approximately \$974,933 in 2011 with 593 veterans participating (a participation rate estimated at approximately 6.4%). Oversight is unable to determine how many eligible veterans would participate in the graduate tuition and fee reduction.

ASSUMPTION (continued)

According to U.S. Census data, there were 45,086 students in graduate, professional public schools in Missouri in 2016, and 256,181 in college, undergraduate. This equates to approximately 17.6% (45,086 / 256,181). Applying this same percentage to the number of reported students that utilized the current program (593), you could reasonably assume that 104 students would utilize the new program and result in approximately \$647,500 in reduced fees and tuition (104 x \$6,226 = \$647,500). Therefore, Oversight will assume a cost of less than \$1,000,000 to colleges and universities from this program expansion.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|---|---|---|
| UNIVERSITIES | | | |
| <u>Loss</u> - to Universities - reduced tuition rate for combat veterans | (Less than <u>\$1,000,000</u>) | (Less than <u>\$1,000,000</u>) | (Less than <u>\$1,000,000</u>) |
| ESTIMATED NET EFFECT ON UNIVERSITIES | (Less than <u>\$1,000,000</u>) | (Less than <u>\$1,000,000</u>) | (Less than <u>\$1,000,000</u>) |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
| | <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 requires any institution of higher education that receives state funds to limit the amount of tuition it charges to combat veterans enrolled in a program leading to a graduate degree to no more than 30% of the cost of tuition and fees. A combat veteran is eligible for the tuition limitation for a 10-year period beginning on the date of the veteran's last discharge from service.

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 Public Safety - Missouri Veterans Commission
Missouri State University
Missouri Western State University
State Technical College of Missouri
University of Central Missouri
University of Missouri System
U.S. Census Bureau
U.S. Department of Education - National Center for Education Statistics

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
January 29, 2018