

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0785-04
Bill No.: Perfected HCS for HB 400
Subject: Veterans; General Assembly; Higher Education
Type: Original
Date: March 7, 2019

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 2020	FY 2021	FY 2022
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
University Funds	(Could exceed \$530,868)	(Could exceed \$530,868)	(Could exceed \$530,868)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$530,868)	(Could exceed \$530,868)	(Could exceed \$530,868)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information or on information regarding a previous version of the proposal. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

In response to a previous version, HCS for HB 400, officials from the **Department of Higher Education** assumed the proposal would have no fiscal impact on their organization. However, higher education institutions may have a reduction in revenues as a result of this proposal.

In response to a similar proposal, HB 400 (2019), officials from **Department of Public Safety - Missouri National Guard (MNG)** stated, to the newly proposed legislation, Section 173.900.4, all public institutions of higher education that received any state funds appropriated by the general assembly shall limit the amount of tuition such institutions charge to combat veterans to no more than thirty percent of the cost of tuition and fees. The limitation shall only be applicable if the combat veteran is enrolled in a program leading to a graduate degree, including master and doctorate degrees. Fund 0900 and Fund 0101 will take an additional hit, but the cost of this program if implemented cannot be determined, we do not have historical figures on combat veterans who would receive a degree higher than a bachelor degree and use this program. Therefore the Fiscal Impact is unknown at this time.

Oversight notes the MNG indicated this could impact the Educational Assistance Program if the MNG chose to issue educational assistance grants for graduate level course-work at the reduced rate provided in this proposal. Currently, the Educational Assistance Program is limited to National Guard members seeking undergraduate degrees (11 CSR 10-3.015). Oversight assumes the MNG has existing authority to establish program guidelines for the Educational Assistance Program. Oversight assumes this proposal does not change that authority. Oversight will not show an impact to the Missouri National Guard Trust Fund (0900) or the General Revenue Fund (0101).

In response to a previous version, HCS for HB 400, officials from **Missouri State University** assumed this proposal will have a positive fiscal impact of an undetermined amount on the university.

In response to a previous version, HCS for HB 400, officials from **University of Central Missouri** assumed a negative fiscal impact that could exceed \$230,000 annually.

ASSUMPTION (continued)

In response to a pervious version, HCS for HB 400, officials from the **University of Missouri System** stated, on average, the proposed legislation will cost the University \$7,100 per combat veteran to implement for graduate programs and \$18,000 per combat veteran for professional programs. The cost of this program could exceed \$1,000,000 depending on the number of veterans served.

In response to a pervious version, HCS for HB 400, officials from the **State Technical College of Missouri** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal, HB 400 (2019), officials from the **Department of Public Safety - Missouri Veterans Commission** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal, HB 400 (2019), officials from **Northwest Missouri State University** assumed the negative fiscal impact to the University by expanding the returning hero's program to graduate students is estimated to exceed \$100,000 depending on actual enrollment.

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 a graduate degree including masters degrees and doctorate degrees.

Previously, **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:

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
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

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 \$9,249 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 \$6,474 ($\$9,249 \times .70$). 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/participation rates:

Qualifies and Participates Rate	Number of Students (1,353)	Average Tuition Waived (Per Year) (\$6,474 per student)
5%	68	\$440,232
25%	338	\$2,188,212
50%	676	\$4,376,424

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 \$673,296 in reduced fees and tuition ($104 \times \$6,474 = \$673,296$).

Oversight notes both the University of Missouri and Missouri State University reported on their FY 2019 appropriation request, the amount of foregone tuition from the current version of the Missouri Returning Heroes Act:

ASSUMPTION (continued)

	University of Missouri	Missouri State University
Cumulative Tuition Waived	\$5,384,445 (FY 09-FY 18)	\$648,448 (FY 09-FY 18)
# of Unduplicated Students	1,966	183
Avg. Annual Tuition Waived	\$538,445	\$64,845
Avg. Annual # of Students	197	18.3
Undergraduate Enrollment	59,418	17,793
% of Enrolled Students	.3%	.1%

Source: University Appropriation Requests for FY 2020 (MU) and FY 2019 (MSU)

Assuming a similar the rate of participation relative to the total number of students enrolled in graduate, professional public schools in Missouri (45,086), **Oversight** estimates the following costs:

	Number of Participants	Tuition Waived (\$6,474)
High (.3%)	$45,086 * .003 = 136$	\$880,464
Low (.1%)	$45,086 * .001 = 45$	\$291,330
Average (.2%)	$45,086 * .002 = 90$	\$582,660

Oversight assumes this proposal expands the program to veterans who served in armed combat in the military prior to September 11, 2001. Oversight assumes this could increase participation in the program. Oversight assumes this could increase participation in the program and will show a fiscal impact of could exceed \$582,660.

House Amendment 2

Officials from the **Department of Higher Education** and **State Technical College of Missouri** each assume the proposal as amended will have no fiscal impact on their organizations.

Oversight notes House Amendment 2 excludes professional degrees from the definition of graduate degree. Based on education attainment information from the U.S. Census Bureau, of the individuals who received advanced degrees approximately 18.2% received doctorate degrees,

ASSUMPTION (continued)

9.1% received professional degrees and 72.7% received master's degrees. Oversight notes if the average number of program participants is reduced by 9.1% (those seeking professional degrees) program participation is estimated at 82 ($90 - (90 * .091)$). Therefore, the impact of the proposal as amended is estimated at could exceed \$530,868 ($82 * \$6,474$).

Under current statute, the tuition limitation is provided before all other federal and state aid has been applied. Oversight notes this proposal would change that requirement to an option. The tuition reduction may be applied before all other aid at the combat veteran's discretion. If a combat veteran opted not to apply the tuition limitation before all other aid, this could result in an in offsetting increase in revenue for universities that would receive tuition at the regular rate from other federal and state benefits for which the veteran is eligible.

In addition, Oversight assumes the Educational Assistance Program may see increased costs if the tuition reduction is foregone for federal and other state aid, as appropriated by the State.

Oversight will show a range of impact of \$0 (no increase or no appropriation) to an unknown increase in costs as appropriated by the State.

Oversight assumes the magnitude of the revenue loss for universities from the increased participation in reduced tuition is likely to exceed the revenue increase from the option to forego the tuition reduction for federal and other state aid.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Cost - MNG - increased cost for the Educational Assistance Program due to optional foregoing of tuition reduction - page 8</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET FISCAL IMPACT TO GENERAL REVENUE	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		

UNIVERSITIES

<u>Revenue</u> - optional unreduced tuition received from other federal and state benefits	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Loss</u> - to Universities - reduced tuition rate for combat veterans	(Could exceed <u>\$530,868</u>)	(Could exceed <u>\$530,868</u>)	(Could exceed <u>\$530,868</u>)
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ESTIMATED NET EFFECT ON UNIVERSITIES	(Could exceed <u>\$530,868</u>)	(Could exceed <u>\$530,868</u>)	(Could exceed <u>\$530,868</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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

Currently, the Missouri Returning Heroes Act caps undergraduate tuition at \$50 per credit hour before federal and state aid for combat veterans that served after September 11, 2001, that were residents of Missouri before entering service at public institutions of higher education for 10 years after a honorable discharge. This bill would expand the act to include combat veterans that served prior to September 11, 2001, and veterans that entered military service in Missouri. Additionally, this bill would place a cap of 30% on tuition and fees for qualified combat veterans pursuing graduate degrees for a period of 20 years after a honorable discharge.

This bill allows states the tuition reduction may be applied before all federal and other state aid at the combat veteran's discretion.

ASSUMPTION (continued)

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 National Guard
Department of Public Safety - Missouri Veterans Commission
University of Central Missouri
Northwest Missouri State University
Missouri State University
State Technical College of Missouri
University of Missouri System



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March 7, 2019

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