

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: #Updated  
Date: April 8, 2019  
#To show additional responses - starting on p. 8

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
#General Revenue	#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)	#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)	#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)
<b>Total Estimated Net Effect on General Revenue</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed \$3,780,846)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
#College & University Funds	#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown	#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown	#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown</b>	<b>#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown</b>	<b>#\$0 or (\$647,400 to Could exceed \$3,780,846) or Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 15 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

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 masters 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:

<b>Institution</b>	<b>Tuition Waived</b>	<b>Number of Students</b>
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
<b>Total</b>	<b>\$974,933</b>	<b>593</b>

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:

<b>Qualifies and Participates Rate</b>	<b>Number of Students (1,353)</b>	<b>Average Tuition Waived (Per Year) (\$6,474 per student)</b>
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 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 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.

#Addendum (Oversight resubmitted a request to all Missouri colleges & universities):

Officials from **Southeast Missouri State University** state for the current fiscal year, Southeast had 25 students receive Missouri Returning Hero funds. For the fall 2018-spring 2019, Southeast reports 40 self-reported veterans in graduate level course work. Southeast estimates a negative fiscal impact of approximately \$159,012.

Officials from the **Moberly Area Community College (MACC)** state there are 4 students utilizing the Missouri Returning Heroes program for the 2018-2019 school year. MACC assumes there will be no fiscal impact.

Officials from **Crowder College** state the following:

Current Participation

Fall 2017 - 3 students, \$2,280

Spring 2018 - 4 students, \$4,752

Summer 2018 - 2 students, \$1,014



ASSUMPTION (continued)

Fall 2018 - 5 students, \$2,425  
Spring 2019- 1 student, \$522  
TOTAL = \$40,993

Estimated Additional Impact if bill had already been passed:

Fall 2017 - 25 additional students, additional tuition reduction of \$23,836  
Spring 2018 - 16 additional students, additional tuition reduction of \$11,180  
Summer 2018 - 7 additional students, additional tuition reduction of \$2,676  
Fall 2018 - 7 additional students, additional tuition reduction of \$6,579  
Spring 2019 - 10 additional students, additional tuition reduction of \$9,289  
TOTAL - \$53,560

Only a small population knew about Missouri Returning Heroes or requested to use it. The part in the new proposal about providing each veteran a notice, would increase participation. Also, not having to be a Missouri resident when entering military service would cause an increase. The grand total impact for prior five semesters is estimated at \$64,553.

Officials from **State Fair Community College (SFCC)** state, since 2008, 81 students have utilized \$40,254 in Missouri Returning Heroes Program benefits. SFCC assumes there will be no additional impact.

Officials from **University of Missouri System** state the current number of students utilizing the Missouri Returning Heroes Program is 247 (out of 1,273 undergraduate veterans). The number of veterans enrolled in graduate level coursework is 246. It is difficult to estimate the fiscal impact of this bill as additional veterans will likely seek degrees under the proposed language. If the current combat veterans enrolled in bachelors programs continued to masters programs, the cost would be \$1.7 million annually. If all of the veterans currently enrolled in graduate programs were combat veterans, the cost would be \$1.7 million annually.

Officials from **Northwest Missouri State University** state 3 students have utilized the Missouri Returning Heroes program for the 2018-2019 school year. Northwest notes 17 graduate students receive GI Bill benefits and 5 students receive Department of Defense Tuition Assistance. Northwest estimates a \$0 to minimal impact from this proposal.

Officials from **Ozarks Technical Community College (OTC)** state, in the past 12 months we have had 46 students use the program. If counting repeat users from semester to semester there have been 59 instances of using the program. OTC estimates a 15% increase based on expanded eligibility. We have awarded \$39,191 in tuition waivers under the current Missouri Returning

ASSUMPTION (continued)

Heroes Act (aggregated from the above mentioned 59 instances over 12 months). We can assume increases based on new eligibility criteria found in section 173.900.2, which changes the residency requirement to allow for combat veterans who may not have been Missouri residents at the time they entered service.

Officials from the **University of Central Missouri (UCM)** state 49 students currently utilize the Missouri Returning Heroes Program (out of 134 undergraduate veterans) and currently 25 veteran students are taking graduate level courses. The estimated impact for UCM is estimated at \$200,000 per year.

Officials from **Missouri State University (MSU)** state the number of MSU students utilizing the Missouri Returning Heroes program in the 2018-19 academic year is 37 (out of 531 undergraduate veterans) totaling \$164,764. We will have a few additional students this summer. MSU has 230 student veterans enrolled in graduate level coursework.

The estimated fiscal impact of the bill is (and always has been, in every iteration) difficult to calculate. On the one hand, it could have a dramatic negative fiscal impact if 230 graduate students are impacted by the bill and they are taking full credit loads (18 credit hours a year is a full credit load for a typical graduate student) and paying full tuition (ranging from \$279 to \$591 per credit hour depending on the program, level of the course, whether the student is in-state or out-of-state, etc.). However, this would be mitigated by a lot of factors like scholarships, waivers, other applicable aid, graduate assistantships, enrollment impacts of the returning heroes act program (which could mitigate the impact, or exacerbate it, depending on how you look at it), etc. Moreover, the complication in calculating the impact is further complicated because the bill would also provide veterans with the opportunity to decide whether to apply the Missouri Returning Heroes aid before or after their federal military benefits. This portion of the bill would likely have a positive fiscal impact, but the amount of that positive impact is difficult (if not impossible) to calculate.

Officials from **Missouri Southern State University (MSSU)** state the following:

MO Returning Heroes Expenditures for MSSU

18-19	\$42,948.42	10 students
17-18	\$24,540.08	8 students
16-17	\$36,330.58	14 students
15-16	\$ 3,988.17	3 students
14-15	\$ 369.60	1 student

ASSUMPTION (continued)

Of the students who are currently receiving VA benefits at MSSU, 5 are working on Graduate degrees. Of those 5, only 1 would be eligible for MO Returning Heroes. (The other 4 are either dependents, MO is not home state of record, or never provided their DD214 to determine eligibility.)

Since our graduate programs are new, we assume that a very small percentage of Graduate students would become eligible in the near future for MO Returning Heroes if the bill comes to pass. It is possible that more students would pursue Graduate degrees if they learned that MO Returning Heroes was being extended to Graduate programs going forward.

**Oversight** notes the following participation rates for the existing Missouri Returning Heroes Program:

	Current MO Returning Heroes Participants	Number of Undergraduate Veterans	Participation Rate
UCM	49	134	36.6%
MSU	37	531	7.0%
MU System	247	1,273	19.4%
Weighted Average			17.18%

The responding institutions reported a total of 568 veterans in graduate level course-work. Oversight estimated an additional 16 veterans enrolled in graduate level course-work for the four universities that did not respond for a total of 584. Oversight estimates the following costs assuming different levels of participation in the Missouri Returning Heroes Program at the graduate level.

Number of Participants	Estimated Cost (assuming a tuition reimbursement rate of \$6,474)
100 (584 * .1718 based on weighted average)	\$647,400 (100 x \$6,474)
584 (all veterans in graduate level course- work as estimated above)	\$3,780,846 (584 x \$6,474)

ASSUMPTION (continued)

**Oversight** cannot estimate the potential expansion of the undergraduate program. However, Oversight notes there are 4,393 students receiving Post 9-11 G.I. Bill benefits. The average award amount for the existing undergraduate program is estimated at \$1,371.

If 3,957 G.I. Bill recipients (4,393 GI Bill recipients in Missouri less 436 the current number of students participating in the program) were eligible for the Missouri Returning Heroes program, the cost is estimated at \$5,425,047 ( $3,957 \times \$1,371$ ). If 17.18% of G.I. Bill recipients went on to graduate school and utilized the Missouri Returning Heroes Program, the cost is estimated at \$4,836,078 ( $747 \times \$6,474$ ). These numbers combined are estimated at \$10,261,125. Oversight notes this is an illustration of the upper range of cost. However, Oversight notes this number includes undergraduates, graduates, non-residents and dependents utilizing veteran benefits. Oversight notes this number may also include a duplicate count of students already using the program. Oversight notes the current number of students participating in the program (436) is based on counts from the responding institutions; however, there were four universities and nine colleges that did not respond to Oversight's request for information.

Oversight will show a range of loss to colleges and universities from \$647,400 to could exceed \$3,780,846.

Oversight notes, currently, the cost of the tuition waiver is assumed by colleges and universities. The state does not reimburse colleges and universities for the foregone revenue. However, Oversight will show a potential cost to general revenue should the state choose to appropriate funds to reimburse colleges and universities that could exceed \$3,780,846 if all veterans in graduate level course-work participated in the Missouri Returning Heroes Program.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>#Cost</u> - transfer to Colleges and Universities for tuition reimbursement page 11	#\$0 or (\$647,400 to Could exceed \$3,780,846)	#\$0 or (\$647,400 to Could exceed \$3,780,846)	#\$0 or (\$647,400 to Could exceed \$3,780,846)
<u>Cost</u> - MNG - increased cost for the Educational Assistance Program due to optional foregoing of tuition reduction - page 8	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>#ESTIMATED NET FISCAL IMPACT TO GENERAL REVENUE</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed <u>\$3,780,846</u>)</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed <u>\$3,780,846</u>)</b>	<b>#\$0 or (Unknown, \$647,400 to Could exceed <u>\$3,780,846</u>)</b>

<u>FISCAL IMPACT - State Government</u> continued	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**#COLLEGE AND UNIVERSITY FUNDS**

<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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	#\$0 or \$647,400 to Could exceed	#\$0 or \$647,400 to Could exceed	#\$0 or \$647,400 to Could exceed
<u>Transfer-in</u> - from General Revenue	\$3,780,846	\$3,780,846	\$3,780,846

<u>Loss</u> - to Universities - reduced tuition rate for combat veterans	#(\$647,400 to Could exceed \$3,780,846)	#(\$647,400 to Could exceed \$3,780,846)	#(\$647,400 to Could exceed \$3,780,846)
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	#\$0 to (\$647,400 to Could exceed \$3,780,846) or <u>Unknown</u>	#\$0 to (\$647,400 to Could exceed \$3,780,846) or <u>Unknown</u>	#\$0 to (\$647,400 to Could exceed \$3,780,846) or <u>Unknown</u>
<b>#ESTIMATED NET EFFECT ON COLLEGE AND UNIVERSITY FUNDS</b>			

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Small Business</u>			

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

FISCAL DESCRIPTION (continued)

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.

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  
#Southeast Missouri State University  
#Moberly Area Community College  
#Crowder College  
#State Fair Community College  
#Ozarks Technical Community College  
#Missouri Southern State University



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