

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1486-01
Bill No.: HB 732
Subject: Higher Education
Type: Original
Date: February 7, 2019

Bill Summary: This proposal modifies provisions relating to the A+ schools program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to (\$9,986,844)	\$0 to (\$10,601,242)	\$0 to (\$11,246,360)
Total Estimated Net Effect on General Revenue	\$0 to (\$9,986,844)	\$0 to (\$10,601,242)	\$0 to (\$11,246,360)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 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

Officials from the **Department of Higher Education (DHE)**, state, currently A+ Scholarship awards cover only tuition and general fees actually paid by/charged of an eligible student. The award is reduced on a dollar for dollar basis for any federal non-loan student aid received by the student, which is typically the federal Pell grant. In many instances, this reduces an eligible student's A+ award to zero. This proposal would require that the A+ award be applied to the eligible student's tuition and general fee costs "before any federal, private, or other state sources of funding have been applied."

The following estimate is based on data reported to the DHE by participating institutions for FY 2018, which is the most recent complete award year. This data is limited to just information regarding students that received A+ awards for attendance at a public community college and State Technical College of Missouri. Other participating schools (area vocational technical schools and Ranken Technical College) are not included due to data limitations and the fact that those institutions enroll only two percent of students paid through the program.

This estimate is built upon two groups of impacted students: those whose award was reduced but still received some A+ payment, and those whose award was reduced to zero because of the receipt of federal student aid. Due to data limitations, it is nearly impossible to determine the number of students that received a reduced award. However, based the data reported by the institutions, total student awards for this group for FY 2018 were reduced by \$4,953,892 due to the receipt of federal student aid, not including student loans. Data indicate that 2,448 students had their A+ award reduced to zero due to receipt of federal aid. This reduction totaled \$7,334,072 for that fiscal year.

Based on these data, the proposal to calculate the A+ award for eligible students before other aid is applied would increase the cost of the program by \$12,287,964 ($\$4,953,892 + 7,334,072$).

Section 173.1105.2. of the Access Missouri authorizing statute states in part that "Any award amount shall be reduced by the amount of a student's payment from the A+ schools program or any successor program to it." The proposed change to A+ would have an impact on A+ students that are also eligible for Access Missouri by reducing their Access Missouri award to zero. We do not have sufficient data to estimate this impact on students that receive a partial A+ award but assume that impact would be negligible. For the 2,448 students whose A+ award was reduced to zero, this would likely reduce their Access Missouri award to zero from the current maximum award at community colleges of \$940. This would reduce the cost of the Access Missouri program by \$2,301,120 ($2,448 \times \940).

ASSUMPTION (continued)

As a result, the net cost of the proposal to calculate A+ awards for eligible students before other aid is applied would be \$9,986,844 (\$12,287,964 - \$2,301,120) based on FY 2018 data. While the number of A+ recipients appears to have plateaued, program costs continue to rise primarily as a result of tuition and fee increases at participating institutions. Given recent trends, the dollar cost for this change to the A+ program should be incremented by five percent for each year reported in the fiscal note. Adjustments to the reduced cost to Access Missouri are not necessary as those awards are not impacted by tuition and fee changes.

In response to a similar proposal, officials from **Ozarks Technical Community College** assumed this would result in an estimated additional \$3.95 million annually in A+ expenditures for Ozarks Technical Community College (OTC) students.

This estimate is based upon the A+ expenses and transmittals for OTC students from the 2018-2019 academic year. For 2018-2019, \$3.95 million was the differential covered by other financial aid programs (namely Pell) that currently pay first. This is a conservative estimate in that it assumes no increase in A+ enrollment or increase in A+ applications from students who are currently covered fully by Pell.

Oversight assumes the A+ School Program is subject to appropriations; therefore, Oversight will show a range of \$0 (no additional appropriations) to the amount estimated by DHE. Oversight assumes there will be no change in the funds received by community colleges as they would receive the same amount of total funds but the distribution of funds may change proportionally from federal aid to A+ awards.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost</u> - DHE - increase in award amounts for A+ as awards are no longer reduced for federal aid	\$0 to (\$12,287,964)	\$0 to (\$12,902,362)	\$0 to (\$13,547,480)
<u>Savings</u> - DHE - decrease in Access Missouri awards as awards are reduced by A+ payments	\$0 to <u>\$2,301,120</u>	\$0 to <u>\$2,301,120</u>	\$0 to <u>\$2,301,120</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to <u>(\$9,986,844)</u>	\$0 to <u>(\$10,601,242)</u>	\$0 to <u>(\$11,246,360)</u>

FISCAL IMPACT - Local Government

FY 2020
(10 Mo.)

FY 2021

FY 2022

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, A+ funding disbursements to colleges take place after other sources of funding; federal, private, or other state sources. This bill requires that A+ reimbursement be made before any other sources are applied toward educational costs.

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
Ozarks Technical Community College



Kyle Rieman
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February 7, 2019

Ross Strobe
Assistant Director
February 7, 2019