

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0276H.02C
 Bill No.: HCS for HB 682
 Subject: Education, Higher
 Type: Original
 Date: March 24, 2021

Bill Summary: This proposal prohibits public institutions of higher education from requiring students to live on campus, except for first-year freshmen who may be required to live in campus housing for their first year.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2035)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2035)
University Funds	\$0	\$0 or (Unknown)	\$0 or (Unknown)	(Unknown, Could exceed \$3,200,208)
Total Estimated Net Effect on Other State Funds	\$0	\$0 or (Unknown)	\$0 or (Unknown)	(Unknown, Could exceed \$3,200,208)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2035)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2035)
Total Estimated Net Effect on FTE	0	0	0	\$0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2035)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education and Workforce Development** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **University of Central Missouri** state, while the extension of the effective date for the University of Central Missouri is extremely beneficial, the University does anticipate a significant negative impact beginning in fiscal year 2035. UCM currently has about \$3.8 million in student housing debt obligations due in October 2034, and room and board revenues could be impacted in excess of \$9.1 million per year.

These estimates are based on the 3-year average number of upper-class students residing in University Housing (Fall 2017 to Fall 2019), with current FY21 rates for room (double) and board. Inflation has not been factored into the calculation.

Type	Rate Per Semester	Avg. Student Count	Annual Revenue
Room (Double)	\$2,923	992	\$5,799,232
Board	\$1,675	992	<u>\$3,323,200</u>
			\$9,122,432

Officials from **Southeast Missouri State University** anticipate a significant negative fiscal impact of an undetermined amount as a result of this legislation. Additionally, the legislation may jeopardize the University's ability to meet its debt service obligations and bond covenants.

Officials from the **University of Missouri System** state there could be significant revenue impact of undetermined amount.

Officials from the **Missouri State University** assume the proposal will have no fiscal impact on their organization.

Upon further inquiry, **Missouri State University** state it is unlikely to have a significant impact on the number of students required to live on campus because of the exclusion for "first-time freshmen who may be required to live in campus housing during the first year of a student's attendance".

In response to a previous version, officials from **Northwest Missouri State University** stated they only require freshmen to live on-campus so this would have no fiscal impact.

In response to a previous version, officials from the **State Technical College of Missouri** assumed the proposal would have no fiscal impact on their organization.

Oversight notes this proposal would prohibit institutions of higher education from requiring students to live on campus after their freshmen year. Oversight notes that some institutions such as Missouri University of Science and Technology and the University of Central Missouri, require students to live on campus for the student's first two years. In addition, Oversight notes this may exempt other students such as student athletes from being required to live in student housing after their freshmen year.

Oversight notes it is unable to determine how many students would give up living in a residential hall if this proposal passed. Oversight also notes the combined undergraduate full-time equivalent enrollment for the University of Central Missouri (UCM) and Missouri University of Science and Technology was 13,911 in 2020 (latest data available). Oversight assumes if 25% (3,478) of those enrolled students were sophomores required to live in student housing, and assuming 10% of those (348) choose not to live in campus housing because of this proposal, the loss of revenue can be estimated at \$3,200,208 (348 x \$9,196) using the room and board rate provided by UCM.

Oversight assumes this proposal excludes certain universities until June 2034 (FY 2035). Therefore, Oversight will show a range of impact of \$0 (no universities impacted) to an unknown loss in revenue to Universities in FY 2023 and FY 2024 and a loss that could exceed \$3,200,208 beginning in FY 2035.

Additionally, the institutions expressed concern that their bond payments are based on full occupancy of the residential halls. It is possible that if many students give up living in the residential halls that this could have an impact on the ability to make bond payments. However, Oversight considers these to be indirect impacts of the proposal and will not indicate an impact in the fiscal note.

<u>FISCAL IMPACT</u> – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2035)
UNIVERSITY FUNDS				
<u>Revenue (Loss) - student housing payments</u>	\$0	\$0 or (Unknown)	\$0 or (Unknown)	(Unknown, Could exceed \$3,200,208)
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>(Unknown, Could exceed \$3,200,208)</u>

<u>FISCAL IMPACT</u> <u>– Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2035)
	<u>\$0</u>	<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

Beginning July 1, 2022, this bill prohibits any public institution of higher education in this state from requiring students to live in campus housing except for first-time freshman. First-time freshman may be required to live in campus housing the first year of his or her attendance. The bill allows the University of Central Missouri, the University of Southeast Missouri State, and the Missouri University of Science and Technology to continue to have policies that require upperclassman to live on campus until after June 30, 2034.

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 and Workforce Development
University of Central Missouri
Southeast Missouri State University
University Of Missouri System
Missouri State University



Julie Morff
Director
March 24, 2021



Ross Strobe
Assistant Director
March 24, 2021