

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0921S.07T  
 Bill No.: Truly Agreed To and Finally Passed SS No. 2 for HS for HB 297  
 Subject: Children and Minors; Athletics; Education, Higher; Higher Education and Workforce Development, Department of; Property, Real and Personal  
 Type: Original  
 Date: June 1, 2021

---

Bill Summary: This proposal modifies provisions related to higher education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue	Could exceed (\$1,434,653) to (\$7,085,449)	Could exceed (\$3,648,683) to (\$21,683,615)	Could exceed (\$4,311,929) to (\$22,553,129)	Could exceed (\$1,106,927) to (\$5,881,916)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>Could exceed (\$1,434,653) to (\$7,085,449)</b>	<b>Could exceed (\$3,648,683) to (\$21,683,615)</b>	<b>Could exceed (\$4,311,929) to (\$22,553,129)</b>	<b>Could exceed (\$1,106,927) to (\$5,881,916)</b>

\*The actual impact of the changes to the MOST program (largest cost driver of the fiscal note) is dependent upon utilization. If a participation is similar to the rates currently using the MOST 529 accounts, the lower estimates should be used. If utilization is similar to those claiming student loan interest deduction on their tax returns, the larger estimates should be used.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
College & University Funds	(Unknown) or Unknown	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Unknown) or Unknown</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Fully Implemented (FY 2029)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Fully Implemented (FY 2029)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Fully Implemented (FY 2029)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 161.625 and 173.035 Students' Right to Know Act

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** 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 Missouri System** anticipate that there will be minimal cost increases associated with compiling this information in a high-quality manner, but these costs will be insignificant.

In response to a similar proposal, HCS for HB 355 (2021), officials from **Missouri State University** assumed a potential negative fiscal impact of an undetermined amount due to time required to compile and report additional information to DHEWD.

In response to a previous version, officials from **Southeast Missouri State University** assumed this could potentially have a negative fiscal impact on the University. While the full extent of the impact is undetermined, it is estimated that 1 FTE may be necessary, which would add an annual cost, including benefits, of approximately \$62,000.

Officials from the **University of Central Missouri** have determined a negative fiscal impact on the University. It is estimated that 1 FTE would be added at an annual cost, including benefits, of approximately \$62,000.

In response to a similar proposal, HCS for HB 355 (2021), officials from **State Technical College of Missouri** assumed this would have a negative fiscal impact on the College. It is estimated that 1 FTE would be added at an annual cost, including benefits, of approximately \$72,500.

**Oversight** assumes there could be costs to Colleges and Universities for the collection of data. Oversight notes there are 27 public institutions of higher education. If half of the institutions required an FTE, the cost is estimated at \$806,000 (assuming a cost per FTE similar to the cost estimated by Southeast Missouri State University and University of Central Missouri).

For purposes of this fiscal note, **Oversight** will show a cost that could exceed \$250,000 to institutions of higher education.

Section 162.441 – Seven-Director Districts – Annexation

**Oversight** notes this section states a community college proposing annexation shall appear at a public meeting of the school district to which the annexation is being proposed to present the annexation proposal.

The school board shall invite the community college to make such presentation at a regularly scheduled meeting no more than one hundred and twenty days prior and no less than thirty days prior to the election to present the annexation proposal.

**Oversight** notes this section modifies the question put forth to the voters of the school district in which the school district is located.

**Oversight** does not anticipate this section will cause a material fiscal impact. Therefore, for purposes of this section, Oversight will not report a fiscal impact for this section.

Section 166.410 – Missouri Education Savings Program - Definitions

Officials from **Office of Administration - Budget and Planning (B&P)** state this proposed legislation changes the definition of “eligible education institution” from those specified in Sections 529(e)(5), 529(c)(7), and 529(e)(3) to all references in Section 529. B&P notes that this would allow individuals to use the savings account program for student loan repayment.

Based on research, B&P determined that the average student loan in Missouri was between [\\$29,613](#) and [\\$35,400](#). Assuming individuals use a 10-year repayment plan the average annual repayment amount would be between \$2,961 and \$3,540. In Tax Year 2018, the most recent complete tax year data available, there were 255,000 tax filers that claimed the federal tax deduction for student loan interest. Therefore, B&P estimates that approximately \$755,134,461 to \$902,700,000 in deductions could be claimed under this provision.

However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from [SB 509 \(2014\)](#).

Tax Rate	Current Law	Future Top Tax Rates		
	5.4%	5.3%	5.2%	5.1%
GR Loss – Low	(\$40,777,261)	(\$40,022,126)	(\$39,266,992)	(\$38,511,858)
GR Loss – High	(\$48,745,800)	(\$47,843,100)	(\$46,940,400)	(\$46,037,700)

B&P notes that this provision would take effect August 28, 2021; allowing individuals to use the savings account plan for four (4) months of Tax Year 2021. Therefore, B&P estimates that this proposed legislation will reduce TSR and GR by \$13,592,420 to \$16,248,600 in Fiscal Year 2022. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by \$38,511,858 to \$46,037,700 annually.

Top Tax Rate	FY22 (4 months)	FY23	FY24	FY25
5.40%	(\$13,592,420 to \$16,248,600)	(\$40,777,261 to \$48,745,800)	(\$40,777,261 to \$48,745,800)	(\$40,777,261 to \$48,745,800)
		Or	Or	Or
5.30%		(\$40,022,126 to \$47,843,100)	(\$40,022,126 to \$47,843,100)	(\$40,022,126 to \$47,843,100)
			Or	Or
5.20%			(\$39,266,992 to \$46,940,400)	(\$39,266,992 to \$46,940,400)
				Or
5.10%				(\$38,511,858 to \$46,037,700)

**Oversight** notes B&P has estimated the impact(s) of individuals first contributing/depositing their (re)payment of student loan principle or interest into a 529 savings account, permitting them to recognize tax savings.

**Oversight** notes B&P's analysis suggests individuals will be on a ten (10) year repayment plan. After conducting independent research, Oversight assumes the average term of repayment of student loan(s) totals anywhere between [twenty \(20\)](#) and twenty-five (25) years (Oversight estimate).

Furthermore, **Oversight** notes individuals would **not** be able to deduct the average total student loan amount on their Missouri taxes. This proposed legislation caps the amount that is permitted to be (re)paid through a student's 529 savings account at \$10,000.

Thus, Oversight anticipates the impact(s) of this section will increase for several years post implementation, and then decrease and flatten out afterwards.

Officials from the **State Treasurer's Office (STO)** state this section expands the MOST 529 Education Plan Program to allow for the repayment of student loans up to \$10,000 per beneficiary.

STO anticipates this section will reduce state revenues by:

- \$1,409,653 in Fiscal Year 2022
- \$3,623,683 in Fiscal Year 2023
- \$4,286,929 in Fiscal Year 2024
- \$4,346,834 in Fiscal Year 2025 and Fiscal Year 2026
- \$2,895,764 in Fiscal Year 2027
- \$1,444,695 in Fiscal Year 2028
- \$1,081,927 in Fiscal Year 2029 and each year thereafter.

**Oversight** assumes STO anticipates a 4.13% participation rate among beneficiaries who will (re)pay their student loans through MOST 529 Education Savings accounts. Furthermore, Oversight assumes STO anticipates taxpayers will receive full benefit (\$10,000) within 2.25 years.

**Oversight** assumes, based on independent research, that taxpayers with student loan debt would experience tax savings for a total of seven (7) tax years as a result of the \$10,000 cap placed on the total amount permitted to be contributed/deposited into MOST 529 Education Savings accounts and used for such (re)payment. Furthermore, Oversight assumes the participation rate of individuals who will first contribute/deposit their (re)payment of student loans, before actual payment is required, may be higher.

Officials from **DOR** state this proposal would change the qualified higher education expenses definition under the MOST program and the MO Education Deposit Program. This change in definition would allow for the repayment of principal and interest on student loans as an allowable expense. Therefore, a taxpayer would be allowed to run their student loan payment through their Missouri Education Savings Program Account (MOST account) and do it tax free.

Based on information posted by the organization LENDEDU, which provides basic information and statistics on the different types of student loans available, they state that Missouri ranks 28th in average student loan debt. Here's how LENDEDU ranks in-state institutions based on average debt:

1. Lincoln University: \$30,827
  2. Westminster College: \$29,691
  3. Maryville University: \$28,361
  4. Southeast Missouri State University: \$27,318
  5. University of Missouri-Columbia: \$27,146
  6. Missouri State University: \$25,196
  7. University of Missouri-St. Louis: \$25,110
  8. Truman State University: \$24,938
  9. Washington University: \$22,555
  10. Columbia College: \$22,159
- AVERAGE = \$26,330 - \$219 per month (10 year repayment)

Assuming an annual tax rate of 5.3% (which is estimated for the next three fiscal years), and based on the number of Missouri filers who claim the student loan interest deduction (255,000) this would result in over \$32,000,000 loss to general revenue annually.

\$26,330 student loan amount = \$219 per month payment

X 5.3% tax rate

\$11.61 monthly tax loss

X12 months

\$139.32 total tax loss per person per year

X 255,000

\$35,526,600 loss to state

The Department notes this proposal would become effective August 28, 2021 and therefore only four months of payments would be claimed in FY 2022. The first full year of loss would occur in FY 2023.

FY 22 \$11,842,200

FY 23 \$35,526,600

FY 24 \$35,526,600

DOR notes this proposal places a cap of \$10,000 on the amount that can be run through these programs annually. However, the Department has not assumed that contributions will increase given the average monthly payment of \$219 means most students annually pay \$2,628.

**Oversight** notes this section modifies the definition of “Eligible Educational Institution”

The current definition is “an institution of post-secondary education as defined in Section 529 (e)(5) of the Internal Revenue Code, and institutions of elementary and secondary education as provided in Section 529 (c)(7) and 529 (e)(3) of the Internal Revenue Code”.

This section modifies the definition to define an “Eligible Educational Institution” as “an institution of postsecondary education as defined in Section 529 (e)(5) of the Internal Revenue Code, and institutions of elementary and secondary education as provided in Section(s) 529 (c)(7), 529(c)(8), and 529 (e)(3)”.

**Oversight** notes the definition has been modified to add Section 529(c)(8) to the definition of “Eligible Educational Institution”. Oversight assumes Section 529(c)(8) of the Internal Revenue Code references registered apprenticeship programs.

**Oversight** notes this section modifies the definition of “Qualified Higher Education Expenses or Qualified Education Expenses”.

The current definition is “the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 (e)(3) of the Internal Revenue Code.

This section modifies the definition to define “Qualified Higher Education Expenses” or “Qualified Education Expenses” as “the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 of the Internal Revenue Code.

**Oversight** assumes this section would allow individuals to first deposit/contribute the amount(s) of principal and/or interest applicable for qualified education loan (re)payment into established Missouri Educational Savings accounts (MOST accounts/529 accounts) prior to actual (re)payment of such loan. Such repayment would then be paid with the funds initially deposited/contributed into the participating individual’s MOST account.

**Oversight** assumes this would permit such individuals to recognize Missouri tax savings while completing the obligations/terms of their qualified educational loan(s).

Per Section 166.435, amount(s) deposited/contributed to MOST accounts may be subtracted from the individual’s Federal Adjusted Gross Income to determine the individual’s Missouri Adjusted Gross Income. The maximum annual amount that may be subtracted cannot exceed \$8,000 per taxpayer.

**Oversight** notes pre-tax subtraction from income do not reduce revenue(s) on a dollar-for-dollar basis. The estimated amount of deduction must be multiplied by the applicable tax rate to estimate the impact to state revenue(s).

**Oversight** assumes this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight assumes Fiscal Year 2022 would be impacted by this section for four (4) months.

Upon completing an independent analysis, Oversight assumes this section would reduce GR by the following amount(s):

Fiscal Year	Cost
2022	\$ 7,060,449
2023	\$ 21,658,615
2024	\$ 22,528,129
2025	\$ 23,397,644
2026	\$ 24,267,158
2027	\$ 25,136,672
2028	\$ 26,006,186
2029	\$ 5,856,916
2030	\$ 5,856,916

For purposes of this fiscal note, since B&P and DOR used what appears to be a term of repayment (10 years) less than what may sources suggest (20 – 25 years), and since STO’s impacts are calculated using a participation rate based on current experience, Oversight will

range the fiscal impact(s) of this section from the STO's estimates to amounts that "Could exceed" the impacts estimated by Oversight, depending upon utilization of these changes.

Section 172.020 the Curators of the University of Missouri power to subdivide, sell or convey

**Oversight** does not anticipate a material fiscal impact from this provision.

Section 170.029 Career and Technical Education Workgroup

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate that approximately 10 workgroups will be needed at an average cost of \$7,500 per workgroup. This cost will be spread out over multiple years as it will take some time to update the standards for all areas. Therefore, the Department will show the impact over a three year period at \$25,000 per year.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DESE.

In response to a similar proposal, HB 896 (2021), officials from the **High Point R-III School District** and the **Springfield Public Schools** each assumed the proposal would not fiscally impact their schools.

In response to a similar proposal, HB 896 (2021), officials from the **Lee's Summit R-VII Schools** stated the cost is minimal and would amount to the cost of the ACT exam for students.

**Oversight** assumes school districts will not be materially impacted by this proposal.

Section 173.280 Student Athlete Representation

Officials from the **Attorney General's Office, Missouri Office of Prosecution Services, Office of the State Courts Administrator** and **DHEWD** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this provision.

In response to a similar proposal, HB 498 (2021), officials from the **Missouri State University, State Technical College of Missouri**, and the **St. Charles Community College** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a similar proposal, HB 498 (2021), officials from the **Northwest Missouri State University** assumed there is no impact to their financials. This may affect individual student-athletes if they enter into agreements that utilize their name, image or likeness (NIL). There is some time-management/trainings that need to be held on their part to educate student-athletes on the implications of NIL, but nothing that drastically impacts their normal, yearly operations.

In response to a similar proposal, HB 498 (2021), officials from **University of Central Missouri** assumed there would be an indeterminate fiscal impact.

In response to a similar proposal, HB 1748 (2020), officials from the **University of Missouri System** assumed this proposal would result in additional costs to the University of an undetermined amount.

Upon further inquiry, the **University of Missouri System** indicated there could be costs related to contract review as well as training costs for staff.

**Oversight** assumes there could be costs related to contract review, staff training and for the implementation of an annual financial development program for student athletes. Oversight will show a range of impact from \$0 (the costs are minimal and can be absorbed) to an unknown cost to Colleges and Universities.

#### Section 173.1003 Tuition Caps Suspended

Officials from the **DHEWD** assume the provision will have no fiscal impact on their organization.

DHEWD states this legislation suspends the implementation of the Higher Education Student Funding Act (HESFA) for five years. Put simply, HESFA limits the amount by which an institution of higher education can increase its base tuition (excluding certain course fees) each year using a formula generally outlined in the statute and clarified in regulation.

That formula involves calculating the average tuition for institutions in Missouri. Per DHEWD regulations located at 6 CSR 10-14.010(1)(B), “Average tuition means the sum of all included institutions’ tuition for the current academic year divided by the number of included institutions. This figure will be determined by adding the tuition of each public four-year institution and State Technical College, then dividing by the number of included institutions. If any community college has tuition that is equal to or exceeds the aforementioned average tuition, the average tuition shall be recalculated to include that community college’s tuition.”.

In practice, no community college in Missouri has ever had a tuition high enough to trigger inclusion in the HESFA average tuition calculation. This means that for as long as HESFA has been a law, it has never applied to community colleges. However, in theory, it could should a community college raise its tuition to significantly higher levels.

As a result, DHEWD believes that suspending HESFA will not significantly impact the A+ program, which many Missourians use to pay for community college. No community college has in practice ever been subject to HESFA, and suspending HESFA will not suddenly cause community colleges to increase tuition. As a result, there is unlikely to be a need to increase the A+ appropriation as a result of suspending HESFA for 5 years.

DHEWD does believe that suspending HESFA may decrease the purchasing power of other financial aid programs like Bright Flight and Access Missouri because if an institution increases its tuition, the financial aid won't cover as great of a percentage of the tuition for those students.

Officials from the **Missouri National Guard (MNG)** assume the proposal will have no fiscal impact on their organization. Raising tuition doesn't change the scholarship amounts, but would lower their ability to approve requests for tuition assistance. Increased tuition would significantly impact the scholarship buying power, which would require MNG to likely request an increase in appropriations for their tuition assistance program.

Officials from the **University of Missouri System** anticipate that the removal of tuition caps will have a positive financial impact on the University. Future pricing would still be subject to what the market would allow but allows for differential tuition to account for differences in the costs necessary to provide high-quality programs.

In response to a previous version, officials from **Southeast Missouri State University** estimated this provision could have a positive fiscal impact of an underdetermined amount.

In response to a similar proposal, HCS for HB 856 (2021), officials from **Missouri State University** assumed this proposal would have a positive impact of an undetermined amount on Missouri State University.

In response to a similar proposal, HCS for HB 856 (2021), officials from **State Technical College of Missouri** assumed this would have a positive fiscal impact on the College. No amount can be estimated.

In response to a similar proposal, HCS for HB 856 (2021), officials from the **St. Charles Community College** assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal, HCS for HB 856 (2021), officials from the **University of Central Missouri** assumed there is a potential for an increase or decrease in revenue based on the rates set by the Board of Governors.

In response to a similar proposal, HCS for HB 856 (2021), officials from **Northwest Missouri State University** assumed a minimal fiscal impact due to usage of differentiated tuition instead of course fees. This version has no end date compared to the previous version. Since no reinstatement (of tuition caps), there could be a long term favorable impact.

#### Section 173.1003.9 Tuition Caps Suspended

**Oversight** assumes the Higher Education Student Funding Act (HESFA) average tuition calculation is based on four year institutions only, so suspending the cap on four-institutions could potentially raise the average tuition calculation, thereby setting a higher tuition ceiling for

two-year colleges. However, per DHEWD, no two-year institution has exceeded the existing average tuition ceiling, so Oversight assumes it would be unlikely that two-year colleges would increase tuition as a result of a higher average tuition ceiling.

**Oversight** is uncertain how the recent approval by the Coordinating Board for Higher Education for St. Louis Community College and Ozarks Technical Community College to offer a single bachelor's (four year) degree will impact the HESFA calculation.

**Oversight** notes some scholarship programs offer full reimbursement of tuition such as the A+ Scholarship program. Oversight assumes the impact to the A+ Scholarship program is likely limited to those students attending State Technical College. State Tech has 971 students receiving A+ Scholarship awards.

Below is a chart of scholarship programs that offer reimbursement of tuition along with the estimated program expenditures for students attending public four year universities and State Tech.

#### Public Four Year & State Tech (Only)

Program	Program Expenditure FY 2020
A+ Scholarship (State Tech only)	\$5,704,093
Fast Track	\$154,408
Public Service Officer or Employee's Child Survivor Grant	\$106,417
Wartime Veteran's Survivors Grant	\$258,585
<b>Total</b>	<b>\$6,223,503</b>

Source: FY 2022 DHEWD Budget Request

If tuition increases allowed under this proposal resulted in a 3% increase in the total award amount, **Oversight** estimates the cost at approximately \$186,705 ( $\$6,223,503 * .03$ ). This estimate does not include the estimated growth of the Fast Track program in FY 2022 (from 189 students to 1,567 students per the DHEWD FY 2022 Budget Request).

In addition, the A+ Scholarship programs was expanded to include reimbursement of any dual credit and dual enrollment courses including those offered by public four-year colleges and public universities. Oversight notes this expansion was not funded in FY 2021. Oversight is uncertain if the expansion of the A+ Scholarship program will be funded in future years.

**Oversight** notes State Technical College of Missouri has 971 students receiving A+ Scholarships.

Upon further inquiry, in response to a similar proposal, HB 856 (2021), officials from **DHEWD** stated, if this bill passes, State Tech may raise its tuition more than it would otherwise be allowed to under HESFA; however, it is unlikely to raise the tuition so much as to significantly

impact the A+ appropriation. There are market factors and other considerations that effectively limit how high an institution can raise its tuition without losing students. Further, State Tech has a comparatively small number of A+ students compared the community colleges. For all these reasons, DHEWD does not estimate a fiscal impact.

In addition, for FY 2022, DHEWD's A+ new decision item (NDI) for FY 2022 already includes a three percent increase in the program cost. Likewise, DHEWD has included a three percent increase in the FY 2022 NDI for the War Vets program. For Public Service Officer, DHEWD projected a 2 percent increase but should have sufficient funding to cover an additional one percent. Fast Track is a little more difficult because it is still growing, but staff believe that for FY 2022, DHEWD have requested sufficient funds to cover a three percent tuition increase at public four-year institutions.

In the out years, beyond FY 2022, it is almost impossible to predict because other factors, such as student interest, enrollment patterns, federal changes to the FAFSA and the Pell grant, are probably going to have a bigger impact on program costs than removing the HESFA cap. Since the bill does not mandate tuition increases and DHEWD will have the opportunity to request those funds as part of the regular growth in the programs, staff still do not believe the fiscal impact in those years will be significant.

**Oversight** notes tuition increases would also impact the State Educational Assistance Program administered by the Missouri National Guard with a program expenditure of approximately \$4.6 million. Oversight is uncertain how many of the students receiving State Educational Assistance are attending public four year universities or the State Technical College of Missouri.

**Oversight** notes DHEWD and MNG do not anticipate a fiscal impact. However, Oversight assumes if some institutions of higher education increase tuition rates beyond the existing cap this could increase scholarship reimbursement costs for certain scholarship programs relative to what would occur under current law. In order to award tuition reimbursement at a higher rate, Oversight assumes these agencies would have to request additional appropriations. Therefore, Oversight assumes this would be an additional cost to the state and will show a range of impact of \$0 (no tuition increases, scholarship programs not impacted, or no increase in appropriation) to an unknown cost to General Revenue for increased scholarship award costs.

**Oversight** assumes this proposal suspends tuition caps indefinitely beginning on July 1, 2022. Therefore, Oversight will show a range of impact to Colleges and Universities of \$0 (no tuition increases) to an unknown revenue gain for Colleges and Universities depending on the increase(s) beginning in FY 2023.

#### Section 173.1003.10 Course Fees and Differential Tuition

**Oversight** assumes, with the indefinite suspension of tuition caps, some institutions may implement differential tuition schedules. This proposal states that institutions can no longer utilize course fees if an institution implements differentiated tuition. Depending on the price

elasticity of demand, Oversight assumes some institutions could charge lower tuition rates that would result in an increase in the quantity demanded and subsequently an increase in revenue. For purposes of this fiscal note, Oversight assumes institutions would not charge differentiated tuition rates (and forego course fees) that would result in a cumulative decrease in revenue; therefore, Oversight assumes this provision would result in a net positive impact to universities.

**Oversight** assumes differentiated tuition rates would have an unknown impact on tuition reimbursement programs depending on if the students receiving reimbursement are enrolled in programs that charge higher or lower tuition rates relative to what would occur under current law.

#### Section 174.281 Southeast Missouri State University Statewide Mission and Board of Governors

In response to a previous version, officials from **Southeast Missouri State University (SEMO)** stated they anticipate this may have a long-term positive fiscal impact on the University influenced by future enrollments in the designated areas.

**Oversight** notes that SEMO stated the proposal would have a positive fiscal impact on their organization. However, Oversight assumes there could be costs associated with implementing the statewide mission. Therefore, Oversight will show a range of impact of \$0 (statewide mission not implemented) to an unknown increase in revenue from the expansion of its statewide mission to an unknown cost to implement the statewide mission.

**Oversight** notes the tuition and required fees for SEMO is \$8,032 for FY 2021 and the full-time equivalent enrollment was 7,969 in 2020. If enrollment at SEMO increased by 1% or 80 students, the gain in revenue is estimated at \$642,560 ( $\$8,032 * 80$ ).

In order to accommodate an increase in enrollment, this could result in the need to hire additional staff. **Oversight** notes the national median salary for a Postsecondary Computer Science Teacher is \$85,180. Oversight notes the Fall 2020 SEMO undergraduate enrollment is 8,929 and the student to teacher ratio is 19:1. Oversight assumes it is unlikely expenditures would exceed \$250,000.

#### 174.283 & 174.450 Northwest Missouri State University Statewide Mission and Board of Governors

In response to a similar proposal, SB 376 (2021), officials from the **Northwest Missouri State University** assumed the proposal would have no fiscal impact on their organization.

**Oversight** notes other institutions have indicated a potential positive impact from increased enrollment resulting from a statewide mission designation. In addition, Oversight assumes there could be costs associated with implementing a statewide mission.

Per section 173.030, “Institutions which serve or seek to serve a statewide mission shall be judged to have met the prerequisites for such a mission when they demonstrate to the coordinating board that they have met the criteria described in this subdivision. As a component of this process, each institution shall prepare, in a manner prescribed by the coordinating board, a mission implementation plan for the coordinating board's consideration and approval.”

**Oversight** will show a range of impact of \$0 (statewide mission not implemented or already implemented) to an unknown increase in revenue from its statewide mission to an unknown cost to implement the statewide mission.

**Oversight** notes the tuition and required fees for Northwest are \$10,625 for FY 2021 and the full-time equivalent enrollment was 7,262 in 2020. If enrollment at Northwest increased by 1% or 73 students, the gain in revenue is estimated at \$775,625 ( $\$10,625 * 73$ ).

In order to accommodate an increase in enrollment, this could result in the need to hire additional staff. Oversight notes the national median salary for a Postsecondary Teacher is \$79,540 per the BLS Occupational Outlook Handbook. Oversight notes the student to teacher ratio at Northwest is 20:1; therefore, Oversight assumes it is unlikely expenditures would exceed \$250,000.

#### 174.285 Harris-Stowe State University Statewide Mission

**Oversight** notes other institutions have indicated a potential positive impact from increased enrollment resulting from a statewide mission designation. In addition, Oversight assumes there could be costs associated with implementing a statewide mission.

Per section 173.030, “Institutions which serve or seek to serve a statewide mission shall be judged to have met the prerequisites for such a mission when they demonstrate to the coordinating board that they have met the criteria described in this subdivision. As a component of this process, each institution shall prepare, in a manner prescribed by the coordinating board, a mission implementation plan for the coordinating board's consideration and approval.”

Officials from the Harris-Stowe State University did not respond to **Oversight's** request for fiscal impact for this proposal.

**Oversight** will show a range of impact of \$0 (statewide mission not implemented or already implemented) to an unknown increase in revenue from its statewide mission to an unknown cost to implement the statewide mission.

#### Responses regarding the proposed legislation as a whole

Officials from the **Department of Health and Senior Services** 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.

### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

L.R. No. 0921S.07T

Bill No. Truly Agreed To and Finally Passed SS No. 2 for HS for HB 297

Page **17** of **23**

June 1, 2021

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
<b>GENERAL REVENUE FUND</b>				
Revenue Reduction – Section(s) – Subtraction From Federal Adjusted Gross Income For Contributions to 529/MOST Savings Accounts §166.410 & §166.435 - p.4-9	Could exceed (\$1,409,653) to (\$7,060,449)	Could exceed (\$3,623,683) to (\$21,658,615)	Could exceed (\$4,286,929) to (\$22,528,129)	Could exceed (\$1,081,927) to (\$5,856,916)
<u>Costs</u> – DESE workgroups spread over 3 years - §170.029 - p.9	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
<u>Costs</u> - DHEWD/MNG - increased costs for tuition reimbursement programs from suspension of caps - §173.1003 - p.10-14	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings/Costs</u> - DHEWD/MNG - savings or costs for differential tuition rates - §173.1003 - p.10-14	<u>\$0</u>	\$0 or (Unknown) to <u>Unknown</u>	\$0 or (Unknown) to <u>Unknown</u>	\$0 or (Unknown) to <u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>Could exceed (\$1,434,653) to (\$7,085,449)</b>	<b>Could exceed (\$3,648,683) to (\$21,683,615)</b>	<b>Could exceed (\$4,311,929) to (\$22,553,129)</b>	<b>Could exceed (\$1,106,927) to (\$5,881,916)</b>

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
<b>COLLEGE &amp; UNIVERSITIES</b>				
<u>Costs</u> - data collection §161.625 & 173.035 - p.3	(Could exceed \$250,000)	(Could exceed \$250,000)	(Could exceed \$250,000)	(Could exceed \$250,000)
<u>Costs</u> - contact review, staff training and financial development program - §173.280 - p.9-10	\$0	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Gain</u> - suspension cap on tuition rates §173.1003 - p.10-14	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain</u> - differential tuition rates - §173.1003 - p.10-14	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Loss</u> - institutions no longer charging course fees - §173.1003 - p.10-14	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost/Revenue</u> - SEMO statewide mission §174.281 - p.14	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown
<u>Cost/Revenue</u> - Northwest statewide mission §174.283 - p.14-15	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown

<u>FISCAL IMPACT – State Government Continued</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
<u>Cost/Revenue - Harris-Stowe statewide mission §174.285 - p.15</u>	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown
<b>ESTIMATED NET EFFECT ON COLLEGES &amp; UNIVERSITIES</b>	<b>(Unknown) or <u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill relates to institution of higher education.

STUDENT RIGHT TO KNOW ACT (Sections 161.625 and 173.035, RSMo)

The bill creates the "Students' Right to Know Act", which, beginning January 1, 2022, requires the Department of Higher Education and Workforce Development (DHEWD) to annually collect and compile specified information to help high school students make more informed decisions about their futures and ensure they are adequately aware of the costs of four-year college and alternative career paths. The document must be available to the Department of Elementary and Secondary Education for distribution to public school guidance counselors by October 15th each year. The information provided by the public institutions is also required to be available on the website of the Department of Higher Education and Workforce Development.

COMMUNITY COLLEGE DISTRICT (Section 162.441)

Currently, a school district may be attached to a community college district or to one or more adjacent seven-director school districts by a majority vote in the school district. This bill requires that a community college proposing such an annexation present its proposal at a public, regularly-scheduled meeting of the school district 30-120 days prior to the annexation election.

The bill modifies the form of the question to be submitted on the ballot by requiring such question to ask whether the school district shall become part of the district, rather than whether the school district shall be annexed to other school districts specified in the ballot question. This bill also requires the question to be followed by information stating the amount per \$100 by which such annexation will raise the community college tax levy and that such annexation will result in school district residents being eligible for in-district tuition rates at the community college. Annexation elections shall be held on a November general election day.

MISSOURI EDUCATION PROGRAM (Sections 166.400-166.440, 166.456, 166.461, 166.502, and 209.610)

This bill changes the name of the "Missouri Education Savings Program" to the "Missouri Education Program". This bill modifies the definition of "eligible educational institution" to include all eligible educational institutions, as defined in Section 529 of the Internal Revenue Code, rather than just institutions of postsecondary education.

CAREER AND TECHNICAL EDUCATION CERTIFICATE (Section 170.029)

The State Board of Education, in consultation with the Career and Technical Advisory Council, shall develop a statewide plan establishing the minimum requirements for a Career and Technical Education (CTE) Certificate. The statewide plan shall match workforce needs with appropriate educational resources.

Each local school district shall determine the curriculum, programs of study, and course offerings based on student needs and interests and the requirements of the statewide plan. DESE shall convene work groups from each CTE program area. Such work groups shall develop and recommend performance standards or course competencies. The Department shall develop written model curriculum frameworks for CTE programs, which shall not be subject to certain limits on performance standards provided under existing law, as described in the bill

REDUCED RESTRICTION ON DEALING IN REAL PROPERTY (Section 172.020)

The bill allows The Curators of the University of Missouri to subdivide, sell, or convey title to land located within a university campus.

REMOVING TUITION CAP RESTRICTION (Section 173.1003)

This bill allows community colleges and public universities to exceed the percentage change limitations for tuition currently established in Section 173.1003, after July 1, 2022. The bill

requires public institutions that utilize differentiated tuition to notify the DHEWD and to no longer utilize required course fees.

**SOUTHEAST MISSOURI STATE UNIVERSITY (Sections 174.281 & 174.453 RSMo.)**

This bill designates Southeast Missouri State University (SEMO) as an institution with a statewide mission in visual and performing arts, computer science, and cybersecurity. The bill modifies provisions relating to the Board of Governors for SEMO as outlined in the bill.

**NORTHWEST MISSOURI STATE UNIVERSITY (Sections 174.283 & 174.450)**

The bill designates Northwest Missouri State University as an institution with a statewide mission in educator preparation, emergency and disaster management, and profession-based learning. Currently, public institutions of higher education charged with a statewide mission shall be governed by a board of governors. This bill specifies that Northwest Missouri State University shall continue to be governed by its board of regents.

**HARRIS-STOWE STATE UNIVERSITY (Section 174.285)**

Harris-Stowe State University can successfully discharge a statewide mission in science, technology, engineering, and mathematics (STEM) for underrepresented and under resourced students.

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**

Office of the State Treasurer  
Office of Administration – Budget & Planning Division  
Department of Elementary and Secondary Education  
Department of Higher Education and Workforce Development  
Department of Health and Senior Services  
Department of Revenue  
Missouri National Guard  
Attorney General’s Office  
Office of the State Courts Administrator  
Missouri Office of Prosecution Services  
Secretary of State’s Office  
Joint Committee on Administrative Rules  
University of Missouri System  
Missouri State University  
Northwest Missouri State University

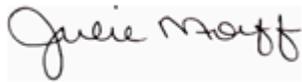
L.R. No. 0921S.07T

Bill No. Truly Agreed To and Finally Passed SS No. 2 for HS for HB 297

Page **23** of **23**

June 1, 2021

State Technical College of Missouri  
University of Central Missouri  
St. Charles Community College  
Southeast Missouri State University  
High Point R-III School District  
Springfield Public Schools  
Lee's Summit R-VII



Julie Morff  
Director  
June 1, 2021



Ross Strobe  
Assistant Director  
June 1, 2021