

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0233H.011
 Bill No.: HB 76
 Subject: Department of Higher Education and Workforce Development; Education, Higher
 Type: Original
 Date: February 14, 2023

Bill Summary: This proposal expands eligibility for the A+ schools program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0	\$0 to (\$318,000,000 to \$498,000,000)	\$0 to (\$318,000,000 to \$498,000,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (\$318,000,000 to \$498,000,000)	\$0 to (\$318,000,000 to \$498,000,000)

*Expansion of the A+ program is subject to appropriations.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Colleges & Universities	\$0	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	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 2024	FY 2025	FY 2026
Local Government	\$0	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§160.545 – A+ schools program eligibility

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state according data from the Department of Elementary and Secondary Education (DESE), there are, on average, 59,000 high school graduates each year, and that trend is anticipated to remain fairly steady for at least the next 10 years. Of those students, roughly 80 percent stay in Missouri ($59,000 * 80\% = 47,200$); of those, roughly half will be A+ eligible ($47,200 * 0.5 = 23,600$), and 60 percent of them will attend some sort of postsecondary education ($23,600 * 60\% = 14,160$). Since the legislation expands the A+ program to additional postsecondary providers, the number of first-time, eligible A+ students would grow to 14,100 (the current number is approximately 8,400). Since Pell is applied before A+, the DHEWD is required to reduce the estimated award equal to the Pell amount. Using the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) data, roughly 39 percent of Missouri students receive Pell and the average award is around \$5,503.

Because this legislation does not cap the amount at two years, DHEWD assumes that there will be at least four cohorts using A+ during any given year (though it could be more, since the proposed legislation allows for half-time enrollment). According to trend data on retention, student attrition is highest between the first and second year, and that students working on a two-year degree or short-term credential won't need the full four years. The DHEWD estimates that 74% of students will be retained into the second year, 55% into the third year, and 44% into the fourth year. Because there will be cohorts using this program concurrently, the department estimates that there will be roughly 38,400 students using A+ each year. The DHEWD currently pays for 14,000 students, which includes two cohorts, and doubling the number of eligible years would take that to roughly 28,000 students; therefore, the DHEWD estimates 38,400 given the program's history.

There are two ways to estimate the cost. The first uses the weighted average of tuition and fees (by enrollment, from IPEDS) around the state (\$14,938) and multiplies that by the number of first-time A+ students (14,100). This results in a total of \$210,776,164; this \$210,776,164 would then be reduced by Pell (\$26,366,346) and the current amount spent on A+ (\$49.3 million), equaling a total of \$135,104,850 for just first-time A+ students. Looking at all eligible students, which could easily include four years of eligibility, the weighted average cost (\$14,938) multiplied by all eligible students (38,432), reducing by the cost of Pell and current expenditures, results in a yearly estimate of \$498 million.

The second estimate looks at weighted average by sector, with the assumption that roughly 80 percent of students attend public postsecondary institutions (11,288 students with an average cost of \$ 7,249.75 = \$88,835,178) and 20 percent attend private postsecondary institutions (2,822

students with an average cost of \$22,327.85) for the first-time A+ students (\$69.2 million). Applying the same methodology as above, but with different average costs for public and private students, the DHEWD estimates a total cost of \$318 million (after reducing by Pell and current program costs).

While the aforementioned costs are conservative estimates, the DHEWD is confident the fiscal impact is between \$318 million and \$498 million annually.

Oversight does not have any information to the contrary. Oversight notes the A+ program is currently available for use at a public community college or vocational or technical school only. This legislation allows students to attend 4-year colleges and use their A+ scholarships towards an undergraduate degree. Therefore, DHEWD assumes the number of students taking advantage of their A+ scholarships is likely to more than double.

Oversight notes the A+ program is subject to appropriations. If the expansion occurs but is not funded the cost will be \$0; however, the expanded A+ program could be funded any amount between \$0 and the amount estimated by DHEWD (fully funded expansion). Therefore, Oversight will range costs to the General Revenue Fund from \$0 to the fiscal impact provided by DHEWD.

Officials from the **University of Missouri (UM)** state the proposed legislation could have a positive impact, if the A+ program is open to programs offered by 4-year institutions. The impact amount cannot be determined.

Officials from the **St. Charles Community College (St. Charles CC)** anticipates a fiscal impact from the proposed legislation. Allowing limited A+ program funding to be used at higher cost private and 4-year universities will result in less students benefitting from the A+ program at community colleges. The amount of the impact to the community college can't be quantified with the information provided.

Officials from the **University of Central Missouri** state this proposal may result in increased revenue if it leads to an increase in tuition paying students. The impact cannot be determined.

Officials from **Northwest Missouri State University** 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 entity.

Oversight does not have any information to the contrary. Oversight assumes this proposal may have a negative fiscal impact on community colleges if students opt to go to a higher cost private or 4-year college. Therefore, for fiscal note purposes, Oversight will show a \$0 to unknown loss to community colleges/local governments. However, it is further assumed 4-year colleges and universities may see increased use of A+ funds and, therefore, increased tuition and fees. Oversight assumes this proposal would have a \$0 to Unknown positive impact to Colleges and Universities if more students take advantage of their A+ scholarships.

Oversight notes the changes are for the 2024-2025 academic year and all subsequent years going forward. Therefore, Oversight will reflect DHEWD’s estimates starting in FY 2025.

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 (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs – DHEWD (\$160.545) – increase in A+ Scholarships</u>	\$0	\$0 to (\$318,000,000 to \$498,000,000)	\$0 to (\$318,000,000 to \$498,000,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0	\$0 to (\$318,000,000 to \$498,000,000)	\$0 to (\$318,000,000 to \$498,000,000)

	FY 2024 (10 Mo.)	FY 2025	FY 2026
<u>FISCAL IMPACT – State Government (continued)</u>			
COLLEGES AND UNIVERSITIES			
<u>Income – Colleges and Universities (\$160.545) – Increase in tuition and fees</u>	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL GOVERNMENTS – COMMUNITY COLLEGES			
<u>Loss – Community Colleges (\$160.545) – Reduction in tuition and fees</u>	<u>\$0</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

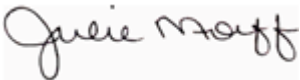
This bill modifies the A+ schools program beginning in the 2024-25 academic year by expanding upon the currently approved institutions and programs that students may attend.

The bill defines "eligible program of study" to include programs that result in an undergraduate degree or a certificate or credential as described in the bill, and requires the Department of Higher Education and Workforce Development to establish by rule, procedures for the reimbursement of tuition, books, and fees, to all approved institutions, provided that no rule established by the Department shall prohibit students from attending any training program that does not meet the length-of-program requirements for federal financial aid or any training provider that does not participate in federal student aid programs.

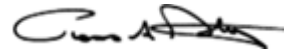
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education and Workforce Development
Office of the Secretary of State
University of Missouri
Northwest Missouri State University
University of Central Missouri
St. Charles Community College
Joint Committee on Administrative Rules



Julie Morff
Director
February 14, 2023



Ross Strobe
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February 14, 2023