

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0758H.01I
Bill No.: HB 265
Subject: Higher Education; Department of Higher Education and Workforce Development
Type: Original
Date: April 1, 2025

Bill Summary: This proposal modifies provisions governing certain post-secondary education financial assistance awards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	\$0 to (\$12,700,000)	\$0 to (\$13,000,000)	\$0 to (\$13,300,000)
Total Estimated Net Effect on General Revenue	\$0 to (\$12,700,000)	\$0 to (\$13,000,000)	\$0 to (\$13,300,000)

* Any increase in tuition assistance awards (Access Missouri) would be subject to appropriations.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
College & University	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

§173.1102, 173.1103, and 173.1105- Minimum and maximum Access Missouri financial assistance awards

Officials from the **Department of Higher Education and Workforce Development** assume this bill would modify Section 173.1105 and increase the maximum awards for Access Missouri recipients starting with the 2025-26 academic year. For those attending an institution in the public two-year sector, that maximum award amount would be \$1,700 and the minimum would be \$500; for those attending a public four-year institution (including State Technical College of Missouri), approved private institutions, or approved virtual institutions, that maximum amount would be \$3,500 and the minimum would be \$1,750.

All students with a Student Aid Index (SAI) of \$12,000 or less will receive at least the minimum award, while maximum award amount for students with an SAI above \$7,000 will be reduced by ten percent by SAI increment groups, which are set at \$500 increments.

Using FY 2024 data (the most recent data available), and applying award levels by SAI increments groups for students with an SAI at or below \$12,000, the DHEWD estimates this will cost an additional \$12.7 million in FY 2026 above the current appropriation levels, impacting over 35,000 students. Additionally, due to recent changes to the federal need methodology, which results in the SAI, there has been downward pressure on SAI levels, resulting in more students with lower SAIs, and therefore higher award amounts.

The DHEWD also estimates a two percent increase in participation each year. As a result, the department estimates these changes to cost between zero and \$12.7 million in FY 2026, between zero and \$13 million in FY 2027, and between zero and \$13.3 million in FY 2028. No additional costs are needed for IT changes or additional staffing.

Oversight notes (from DHEWD's 2025 budget request) the Access Missouri Financial Assistance Program is a need-based program designed to encourage low-income students to access and persist through higher education by reducing the cost of education. Within the pool of students determined to have financial need, award amounts are structured to provide the most assistance to the students with the greatest financial need. A student's financial need, as represented by their expected family contribution (EFC), is calculated based on the standard federal needs analysis formula. Students with an EFC at or below the established cutoff are eligible for an award amount. Award amounts are graduated, using the statutory formula, based on the student's EFC. Within available funding, eligible students receive the highest award possible, up to the maximum established by statute. For FY 2023, based upon state appropriations received, the program provided average awards of \$897 for students attending public 2-year institutions and \$2,279 for students attending public 4-year institutions,

independent institutions, virtual institutions and State Technical College of Missouri. In FY 2023 35,717 students received grants (FY 2022 - 36,083 students; FY 2021 - 41,236 students).

Oversight has no information to the contrary. Oversight notes increases in financial assistance awards are subject to appropriations. Therefore, if the Access Missouri financial award increases are not funded, the cost will be \$0. Therefore, Oversight will range the fiscal impact of this proposal from \$0 to the amount provided by DHEWD.

Officials from the **State Treasurer's Office** assume no fiscal impact from the proposal on their department.

Officials from the **University of Central Missouri (UCM)** assume UCM currently has roughly 1,683 eligible Access Missouri recipients. It is projected the minimal fiscal impact would be an increase in revenue of \$1,093,950 (1,683 * \$650/recipient) per academic year.

Officials from the **University of Missouri** assume no fiscal impact from the proposal on their organizations.

In response to previous similar legislation, HB 2326 (2024), officials from **Northwest Missouri State University** assumed the proposal will have no fiscal impact on their organization.

Oversight will show a \$0 to Unknown increase in funding for 4-year colleges and universities (College & University Funds) as well as a \$0 to Unknown increase in funding to Local Governments – Community Colleges.

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 listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Costs</u> – DHEWD (§173.1105) – Increase in Access Missouri financial awards p.6	\$0 to (\$12,700,000)	\$0 to (\$13,000,000)	\$0 to (\$13,300,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 to (\$12,700,000)	\$0 to (\$13,000,000)	\$0 to (\$13,300,000)
COLLEGE & UNIVERSITY FUNDS			
<u>Income</u> – Colleges & Universities (§173.1105) – increase in tuition and fees received p.6	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL GOVERNMENTS – COMMUNITY COLLEGES			
<u>Income</u> – Community Colleges (§173.1105) – increase in tuition and fees received p.6	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Beginning in the 2025-26 academic year, this bill specifies an increase for eligible recipients of the Access Missouri Financial Assistance Program.

For public two-year institutions the maximum increases by \$400 to \$1700 and the minimum by \$200 to \$500.

For public four-year institutions and the State Technical College, and approved private and virtual institutions, the maximum increases by \$700 to \$3500 and the minimum by \$250 to \$1750.

The bill replaces the phrase "expected family contribution" with "student aid index" which is the amount of money a student and family should pay to the cost of postsecondary education as calculated by the US Department of Education.

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
State Treasurer's Office
University of Central Missouri
University of Missouri
Joint Committee on Administrative Rules
Office of the Secretary of State



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April 1, 2025



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April 1, 2025