

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3716-02
Bill No.: SCS for SB 590
Subject: Education, Higher; Higher Education Dept; Education, Elementary and secondary; Teachers; Elementary and Secondary Education Dept; Veterans; Boards, Commissions, Committees, Councils; Economic Development Dept.
Type: Original
Date: February 6, 2006

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------------|----------------------|----------------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| General Revenue * | (\$2,430,721) | (\$5,627,847) | (\$7,744,167) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund * | (\$2,430,721) | (\$5,627,847) | (\$7,744,167) |

* subject to appropriation.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Section 160.730 RSMo.

Officials from the **Department of Higher Education** (DHE) assume the proposal could have a fiscal impact on the DHE depending on the number of cases brought before DHE and the circumstances applicable to each individual case. Any public institution could be impacted fiscally if the Coordinating Board for Higher Education deems an institution has violated board policy.

Oversight assumes there would be a limited number of violations processed under the terms of this proposal, and that costs related to those violations could be assumed with existing resources. Oversight also assumes that violations cited by DHE could be remedied in the one-year period allowed by the proposal. Therefore, any fiscal impact on institutions would be temporary.

ASSUMPTION (continued)

Section 172.287 RSMo.

In response to a previous version of this proposal, officials from the **University of Missouri** (UM) assume UM would incur no additional costs.

Officials from the **Department of Higher Education** (DHE) assume the proposal would require DHE to ask for additional capital appropriations for teaching and research laboratory equipment for the University of Missouri (UM) engineering colleges. UM system awarded 933 engineering bachelor degrees during FY 2004. Based on a request of \$1,200 per degree awarded, the amount of funds needed in FY07 would total \$1,119,600. Over the last four fiscal years, UM has awarded approximately 900 engineering bachelor degrees per year. Using the average of 900 degree recipients for each year, approximately \$1,080,000 would be needed each fiscal year starting with FY08. If the number of engineering bachelor degree recipients increases in the future, the capital appropriations request would need to increase as well.

Oversight assumes this proposed legislation extends an existing provision by removing or changing the expiration date. Oversight assumes removing or changing the expiration date will extend any fiscal impact associated with the existing provision. Therefore, Oversight has reflected the fiscal impact in the fiscal note.

Section 173.234 RSMo.

Officials from the **Department of Higher Education** (DHE) assume the proposed legislation would make available a grant for war veterans who are currently serving or have served in Iraq. DHE would be responsible for promulgating rules and regulations for this program, establishing the minimum eligibility performance standards, administering the program, processing applications, and paying institutions.

DHE assumed that a 1.0 FTE Research Associate position at an estimated salary of \$35,000 plus associated expense and equipment would be needed beginning in FY 2007. This Research Associate would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

ASSUMPTION (continued)

It is difficult to estimate the number of eligible recipients because the number of Missouri citizens that either are serving or have served in Iraq and would want to take advantage of this program is unknown. Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2007 and subsequent fiscal years that a minimum of 50 awards is distributed.

This fiscal note is calculated assuming that all of the eligible students go on to attend a public four-year institution. The average public 4-year tuition and fee amount for fall 2005 is \$5,811. At an amount of \$5,811 per student, the first year of grants would total \$290,550. Assuming that tuition and fees increase 5% for FY 2008, the total that year would be \$6,102 per student for a grand total of \$305,100 for all 50. Assuming another 5% increase, FY 2009 would cost \$6,407 per student for a grand total of \$320,350. The number of recipients is not capped at 50 and therefore may exceed 50, which could increase the costs in any given fiscal year.

Oversight assumes that processing for a limited number of grants could be performed by existing DHE staff. If several proposals requiring additional staff time are passed, or if DHE staff is required to perform other additional work, resources could be requested through the budget process. Oversight has included the cost in this fiscal note for an estimated 50 recipients at the average four-year tuition and fee amount for fall 2005.

In response to a previous version of this proposal, officials from the **Department of Public Safety, Missouri Veterans Commission** and **Office of the Adjutant General**, assumed the proposal would have no fiscal impact on their organizations. Officials from the Missouri Veterans Commission provided information that 7,719 Missouri residents have served in Operations Iraqi Freedom and Enduring Freedom.

In response to a similar proposal, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle the normal activity resulting from each year's legislative session. The estimated fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$1,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills could be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements.

ASSUMPTION (continued)

Section 173.272 RSMo.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The estimated fiscal impact of this legislation to the SOS for Administrative Rules is less than \$1,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we 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 our office can sustain with our core budget. Therefore, we 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.

In response to a previous version of this proposal, officials from **Missouri State University, Truman State University, St. Charles Community College, and Kansas City Metropolitan Community College**, assume this proposal would have no fiscal impact to their organizations.

Officials from the **Office of the State Treasurer** and the **University of Missouri** did not respond to our request for information.

Officials from the **Department of Higher Education (DHE)** assume the proposed legislation would create the "Associate Degree Transfer Incentive Scholarship Program" to provide scholarships to public 2-year institution graduates continuing their education at public 4-year institutions. DHE would be responsible for promulgating rules and regulations for this program, establishing rules that limit the funds to be used for administrative costs, determining need and dispersing funds to institutions.

The number of associate degrees conferred by the public two-year institutions in Missouri for FY 2005 is 8,397. However, it is difficult to determine the number of eligible recipients who would qualify as the participating institutions' eligibility requirements, which include need, are unknown at this time. In addition, the number of those who would take advantage of this program is also unknown. Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2007 that a minimum of 2,099 (25% of those receiving associate degrees) students qualify for this program.

ASSUMPTION (continued)

At the minimum award amount of \$1,000 per student, the first year of grants would total \$2,099,000. For subsequent years the cost rises to account for returning students. In FY 2008 the total would double to \$4,198,000 and in FY 2009 would triple to \$6,297,000s. Since the bill allows for a maximum of four years the cost could be \$8,396,000 in FY 2010.

The number of recipients is not capped and may exceed 2,099, which could increase the costs in any given fiscal year. In addition, the award amount of \$1,000 is not capped at this level, rather this is the minimum amount.

DHE assumes that 1.0 FTE Research Associate position at an estimated salary of \$35,000 plus associated expense and equipment would be needed beginning in FY 2007. This Research Associate would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

Information provided by the Department of Higher Education indicated that 2,272 associate degree recipients enrolled at four-year institutions in FY 2005; however, information was not available as to the number of students who might be eligible for this program.

Oversight has, for fiscal note purposes only, changed the starting salary for the new position to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted expense and equipment estimates in accordance with Office of Administration budget guidelines. Oversight assumes that no more than 2,100 additional students per year would qualify for and receive the scholarships, and that the program would be implemented at the minimum award amount of \$1,000. Oversight notes that the additional DHE cost for staff and related benefits, equipment, and expenses would be contingent on implementation of the scholarship program.

Section 174.450 RSMo.

Officials from the **Department of Higher Education** and **Missouri State University** assume the proposal would have no fiscal impact on their organizations.

| <u>FISCAL IMPACT - State Government</u> | FY 2007 (10 Mo.) | FY 2008 | FY 2009 |
|---|-----------------------------|-----------------------------|-----------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Section 172.287 RSMo.</u> | | | |
| <u>Cost - University of Missouri</u> | | | |
| Equipment * | \$0 | (\$1,080,000) | (\$1,080,000) |
| <u>Section 173.234 RSMO.</u> | | | |
| <u>Cost - Department of Higher Education</u> | | | |
| <u>Cost</u> | | | |
| Tuition grants * | (\$290,550) | (\$305,100) | (\$320,350) |
| <u>Section 173.272 RSMo.</u> | | | |
| <u>Cost - Department of Higher Education</u> | | | |
| Personal Service (1 FTE) | (\$23,550) | (\$29,459) | (\$30,195) |
| Fringe Benefits | (\$10,376) | (\$12,979) | (\$13,304) |
| Expense and Equipment | (\$6,245) | (\$309) | (\$318) |
| Scholarships * | <u>(\$2,100,000)</u> | <u>(\$4,200,000)</u> | <u>(\$6,300,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND * | <u>(\$2,430,721)</u> | <u>(\$5,627,847)</u> | <u>(\$7,744,167)</u> |

* subject to appropriation.

| <u>FISCAL IMPACT - Local Government</u> | FY 2007 (10 Mo.) | FY 2008 | FY 2009 |
|---|---------------------|------------|------------|
| | <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.

DESCRIPTION

Section 160.730 RSMo

The Commissioner of Higher Education, the Chair of the Coordinating Board for Higher Education, the Commissioner of Education, the President of the State Board of Education, and the Director of the Department of Economic Development would meet not less than twice each calendar year, to discuss ways in which their respective departments could collaborate to achieve the policy goals specified in the proposal.

Section 172.287 RSMo.

A capital improvement grant program for capital improvements for engineering colleges in the University of Missouri system would be extended from June 30, 2007 to June 30, 2017. The program is subject to the availability of appropriations, and is limited to the lesser of one thousand two hundred dollars per each such bachelor's degree awarded in the previous fiscal year in all engineering programs currently accredited by the accreditation board for engineering and technology, or the dollar value of new funds for equipment purchase which such colleges may obtain from sources other than state appropriations for laboratory equipment.

The fair market value of in-kind contributions of laboratory equipment to the colleges is included as funds for equipment purchase from sources other than state appropriations. If new funds for laboratory equipment purchase from nonstate sources exceed available state funds for the program, such excess amounts will be carried over to the following fiscal year and considered the same as that year's new equipment funds from nonstate sources.

Section 173.005 RSMo

In cases deemed by the Board to be egregious violations of board policy, the Board could order an institution to remit a fine in an amount not to exceed one percent of the institution's current fiscal year state appropriation. The Board would hold such funds until the institution corrects the violation, at which time the fine would be refunded to the institution. Should the Board determine that the institution has not redressed said violation within one year, the fine would be deposited into the General Revenue Fund.

DESCRIPTION (continued)

Section 173.125 RSMo

As a condition of receiving state funds, every institution of higher education would agree to submit to binding dispute resolution with regard to disputes among institutions of higher education that involve jurisdictional boundaries or the use or expenditure of any state resources whatsoever, as determined by the Board. In all cases, the arbitrator would be the Commissioner of Higher Education or his or her designee, whose decision would be final and binding on all parties and not subject to appeal.

Section 173.234 RSMo

Any member of the military of the United States, whether active duty, reserve, or national guard, who served in Iraq during Operations Iraqi Freedom and Enduring Freedom, and is a citizen of the state of Missouri would be eligible for a tuition grant program. The Coordinating Board for Higher Education would create and administer the program.

The student's grant would be limited to the lesser of the actual tuition, as defined in this section, charged at the qualifying institution where the eligible student is enrolled or accepted for enrollment; or the highest amount of tuition charged a Missouri resident for attendance as a full-time student at any campus within the University of Missouri system.

A student would remain eligible so long as that student is enrolled in a program leading to a certificate, or an associate or baccalaureate degree in a qualifying institution. In no event shall the eligible student receive a grant beyond the completion of the first baccalaureate degree. If an eligible student is granted financial assistance under any other student aid program, public or private, the full amount of such aid shall be reported to the board by the qualifying institution and the eligible student. No eligible student shall receive more than one hundred percent of tuition when combined with similar funds made available to such eligible student.

The Coordinating Board for Higher Education would promulgate all necessary rules and regulations for the implementation of this section; determine minimum standards of performance in order for a student to remain eligible to receive a grant under this program; make funds available on behalf of the eligible student toward the eligible student's tuition.

DESCRIPTION (continued)

An eligible student who is a grant recipient may transfer from one qualifying institution to another without losing his or her entitlement under this section. The board would make any necessary adjustments in the amount of the grant. If a grant recipient withdraws from a qualifying institution, any refund due under the rules and regulations of that institution would be repaid to the Coordinating Board for Higher Education.

Section 173.272 RSMo

An "Associate Degree Transfer Incentive Scholarship Program" would be created. A separate fund would be established for the program and administered by the State Treasurer. The Coordinating Board for Higher Education would establish the program, and any moneys appropriated by the general assembly for this program would be distributed to participating public four-year Missouri colleges or universities to provide scholarships for citizens of this state who transfer from a public Missouri community college to a participating public four-year Missouri college or university under the provisions of this section.

The Coordinating Board for Higher Education would promulgate rules to implement the provisions of this section. A student would be eligible for a scholarship if the student completed an associate of arts degree, or another degree that contained forty-two credit hours of general education core curriculum, at a community college or other two-year institution located in Missouri and recognized by the department of higher education to confer associate degrees.

Funds for the program would be distributed to participating institutions on a pro rata basis according to the number of eligible two-year transfer students at each institution. Individual public four-year Missouri colleges or universities could apply to the Coordinating Board for Higher Education for funds to offer scholarships under this program.

Participating institutions would establish additional eligibility requirements, and would establish performance standards that provide for continuation of the scholarship for a minimum of two years and a maximum of four years, and a minimum annual scholarship level of one thousand dollars. Each institution offering a scholarship under this section would develop and publish application procedures, deadlines, award amounts, and any other features unique to the receiving institution. The primary criterion would be need. Scholarships could be pro-rated for part-time students. Each institution would submit an annual report of the use and distribution of such scholarship funds to the general assembly, with such report subject to audit. The Coordinating Board for Higher Education would establish by rule a limit on funds to be used for administrative costs and a method of determining need.

DESCRIPTION (continued)

The provisions of this program would automatically sunset six years after the effective date of this proposed legislation unless reauthorized by an act of the General Assembly; and if such program is reauthorized, the program would automatically sunset twelve years after the effective date of the reauthorization of this section; and the program would terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset.

Section 174.450 RSMo

Terms of office and eligibility criteria for members of the governing board of Missouri State University would be amended.

Members from the fifth, seventh, and eighth congressional districts would serve terms expiring December 31, 2006; members from the first, second, and third congressional districts would serve terms expiring December 31, 2008; members from the fourth, sixth, and ninth congressional districts would serve terms expiring December 31, 2010; and the term of the student governor would expire December 31, 2006. Nothing in this subsection would be construed as prohibiting the reappointment of any member to an additional term upon expiration of the term set forth in this subsection.

The terms of the voting members would be six years, the terms of three expiring every two years, and the term of the student governor would be two years.

If a voting member is found by unanimous vote of the other governors to have moved from the district from which such governor was appointed, then the office of such governor would be forfeited and considered vacant.

Should the total number of Missouri congressional districts be altered, all members would be allowed to serve the remainder of the term for which they were appointed.

Should the boundaries of any congressional districts be altered in a manner that displaces a member from the congressional district from which the member was appointed, the member would be allowed to serve the remainder of the term for which the member was appointed.

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 Secretary of State
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Public Safety
 Missouri Veterans Commission
 Office of the Adjutant General
Missouri State University
Truman State University
University of Missouri
Kansas City Metropolitan Community College
St. Charles Community College



Mickey Wilson, CPA
Director
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