

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1599-02
Bill No.: SCS for HB 758
Subject: Education, Higher; Department of Higher Education; Retirement - State;
Retirement - Schools
Type: Original
Date: April 14, 2017

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§104.1205 College and University Retirement

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation would, if enacted, modify the employer contribution rate for the College and University Retirement Plan (CURP), which is a defined contribution plan administered by MOSERS for professors and administrators holding faculty rank at state colleges and universities (referred to by law as "outside employees"). As proposed, the employer contribution rate would be modified to a fixed 6% of payroll from the current rate of 1% of payroll less than the normal cost contribution rate of the defined benefit plan.

In addition, the proposal would require outside employees hired on or after July 1, 2018, to contribute 2% of payroll to the CURP. A provision of federal law is also referenced to allow the institutions to "pick-up" or treat certain contributions as employer contributions under the Internal Revenue Code in order to allow employee contributions to be made on a pre-tax basis.

Outside employees are allowed to contribute to a supplemental account established by the employer and such employees may elect to change the contribution rate.

This proposal has an effective date of July 1, 2018.

Established in 2001, the CURP became effective July 1, 2002, for new employees holding a faculty rank within the state colleges & universities (excluding the University of Missouri). As of June 30, 2016, CURP covered approximately 2,600 participants with an average account balance of \$26,461.

The chart below outlines the employer contribution rate to the CURP since its inception as well as the associated MOSERS annual normal cost. As depicted, the MOSERS annual normal cost has decreased since the implementation of the MSEP 2011 new tier.*

ASSUMPTION (continued)

It is important to note that employees do not currently contribute to CURP.

Fiscal Year	MOSERS Normal Cost Rate	Resulting CURP Contribution Rate
FY 02/03	8.22%	7.22%
FY 03/04	8.47%	7.47%
FY 04/05	8.57%	7.57%
FY 05/06	8.81%	7.81%
FY 06/07	8.84%	7.84%
FY 07/08	8.87%	7.87%
FY 08/09	8.88%	7.88%
FY 09/10	8.71%	7.71%
FY 10/11	8.77%	7.77%
FY 11/12*	7.92%	6.92%
FY 12/13*	7.80%	6.80%
FY 13/14*	7.38%	6.38%
FY 14/15*	7.16%	6.16%
FY 15/16*	6.89%	5.89%
FY 16/17*	6.67%	5.67%
FY 17/18^	7.19%	6.19%

^ MOSERS Board adopted actuarial assumptions resulted in an increase in the normal cost rate.

The provisions of this proposal would not have a fiscal impact on MOSERS.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume this bill changes the employer contribution rate, which is currently linked to the MOSERS' normal cost rate. Instead, CURP employers will contribute 6% to each member's CURP account. New hires on or after July 1, 2018 will be required to contribute 2%. Members may also contribute to a supplemental account.

§163.191 - §178.636 Higher Education Degree Offerings

Officials at the **Department of Higher Education** assume there is no fiscal impact from this proposal.

Officials at the **University of Missouri** assume this is not expected to exceed \$100,000 in cost.

Officials at the **Missouri State University** assume there will be a positive impact in an undetermined amount.

ASSUMPTION (continued)

Officials at the **State Technical College of Missouri** and **St. Louis Community College** each assume there is no fiscal impact from this proposal.

Officials at the **Missouri Western State University** assume there may be a slight positive fiscal impact from this proposal.

In response to the previous version, officials at the **Metropolitan Community College** assumed this expands their ability to offer baccalaureate degrees, but does not impact our current appropriations.

Officials at the **University of Central Missouri** assume the proposal is difficult to determine if it would have an impact.

Oversight assumes this proposal is permissive and would not have a direct fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College and the Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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
Joint Committee on Public Employee Retirement
Metropolitan Community College
Missouri State Employees' Retirement System
Missouri State University
Missouri Western State University
St. Louis Community College
State Technical College of Missouri
University of Central Missouri
University of Missouri



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