

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4630-01  
Bill No.: HB 1932  
Subject: Education, Higher; Higher Education Department  
Type: Original  
Date: April 1, 2014

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Bill Summary: This proposal directs the Department of Higher Education to consider creation of a "Pay Forward, Pay Back" pilot program to replace the current system of tuition and fees required to attend a public institution of higher education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Treasurer** state there will be no fiscal impact to their agency as a result of this proposed legislation.

According to officials from the **Department of Higher Education (DHE)**, this proposed legislation requires the DHE to consider the creation of a pilot program to replace tuition and fees paid by students from at least one public institution of higher education where students would agree to pay a portion of their income for a specified period of time to support higher education. If the DHE determines a pilot program is warranted, DHE would submit a request to the General Assembly by the beginning of the 2016 General Assembly.

Although the consideration of a pilot program has no fiscal impact on the DHE, the implementation of a pilot program could have a substantial impact on revenue for higher education. A pilot program that includes only one moderately priced institution from both the two-year and four-year sectors could require between \$65 and \$75 million dollars per year to replace the lost tuition. Estimates in Oregon, where this approach is also under study, indicate it could take as long as 15 years for the replacement process to be sufficiently funded to be sustainable without state support.

Officials from the **University of Central Missouri (UCM)** assume that admitting in-state students without requiring them to pay tuition or fees at the point of service would have profound negative fiscal impact, as well as negative operational impact, on UCM, unless the State of Missouri compensated UCM at the time qualifying students were admitted. Future collection of a percentage of income from contracting students would not only be delayed, but also would obviously vary greatly depending on the graduate's level and consistency of income, the cost of collection, whether a qualifying graduate moved out of state, or became disabled, among other factors.

Even with its present requirement that students pay tuition and fees during the semester in which the charges are incurred, each year UCM incurs fiscal liability from uncollected student accounts. Nationally, 11% of students receiving federal student loans to be paid after leaving college default on repayment. Default rates would undoubtedly be high on such a massive program as that proposed. The bill is silent regarding repayment of tuition and fees by students who leave school without graduating.

Officials from **Missouri State University** assume that if this program were implemented at their institution, it would have considerable negative fiscal impact, the extent of which cannot be

ASSUMPTION (continued)

quantified at this time.

Officials from **Northwest Missouri State University (Northwest)** state that the implementation of this program has potential for negative financial impact and cash flow challenges over time to their institution and/or the State dependent on the criteria established, up front funding source(s), and the structure of who funds the risk up front as well as payback risk on an ongoing basis. In addition, Northwest officials anticipate it would increase operating costs in staff time to manage the program.

Officials from **Missouri Western State University** assume costs to their university would be in the tens of millions of dollars. The administrative burden to collect the debt after the debt is incurred could cost additional funding in the tens of millions of dollars for their institution.

Officials from **Linn State Technical College** state an unknown fiscal impact.

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

**Oversight** assumes that according to DHE, the proposal only requires the consideration of a pilot program by the DHE. If DHE determines that a pilot program is considered warranted, it would require additional action by the General Assembly to implement the program. That action would have a substantial fiscal impact on the state. Oversight further assumes the language of the proposal only requires consideration of a pilot program and that implementation would only occur after further legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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.

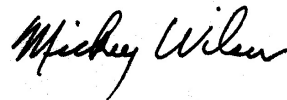
FISCAL DESCRIPTION

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  
Office of State Treasurer  
Colleges and Universities  
Missouri Western State University  
Linn State Technical College  
University of Central Missouri  
Missouri State University  
Northwest Missouri State University



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