

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0657-02
Bill No.: HB 266
Subject: Education, Higher
Type: Original
Date: January 23, 2017

Bill Summary: This proposal eliminates tenure for new employees at public institutions of higher education and specifies information that public institutions of higher education must make available to the public.

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
College & University Funds	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

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

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

Officials at the **University of Missouri (MU)** assume the proposed legislation would have a significant negative fiscal impact on the University of Missouri System campuses due to increased difficulty in recruiting and retaining faculty members who teach and do research at our institutions. An exact dollar amount is impossible to determine but it would be significant. Institutions in any state that does not allow a tenure process would be at a disadvantage when recruiting researchers and faculty from across the nation. It could also jeopardize MU's membership status in the Association of American Universities, the top research institutions in the nation.

Officials at the **University of Central Missouri (UCM)** assume they currently have 243 faculty members with tenure. In 2016, the approximate wages and benefits associated with those faculty members was just under \$24 million. UCM would consider the cost of tenure to be the difference between what we currently pay those faculty members and what we would have to pay them, or comparably qualified faculty, without tenure.

While it is impossible to put a "price" on tenure, our methodology would be to consider what other state legislatures have proposed. A North Carolina legislative bill that would have allowed universities to offer faculty to "sell" their tenure for an 11% increase in wages. That bill did not make it out of committee due to a lack of support from legislators and the public, suggesting that 11% "price tag" is too low, but nevertheless, it is a number that has been set forth. Using that 11% figure, including fringe benefits, this bill would cost UCM \$3.6 million in its first year and \$41.3 over the next ten years.

The cost of tenure would only be able to be calculated after eliminating it, when the costs associated with lost accreditation, increased salaries, lower enrollments, and reputational damage could be calculated.

Officials at the **Missouri State University** assume a negative direct fiscal impact of less than \$100,000 per year and a negative indirect fiscal impact in an unknown amount due to lost opportunities for the University.

Officials at the **State Technical College of Missouri** assume a large unknown fiscal impact. Additional staff may be required to collect data, maintain it and report it.

ASSUMPTION (continued)

Officials at the **Truman State University** assume they are unable to calculate the impact at this time.

Officials at the **St. Louis Community College** assume no negative impact.

Oversight notes this proposal, in §173.940, would prohibit the awarding of tenure to any person hired after January 1, 2018. Oversight is unable to determine any direct affects the higher education institutions may have on hiring with the tenure restriction in place. Oversight will not show an impact from this provision.

Oversight notes this proposal, in §173.1004, would require the higher education institutions to post certain degree offering information, including cost of degree, types of employment opportunities, current job market information about their degree etc., on their websites. Oversight will show an impact to the higher education institutions of could exceed \$100,000 annually for the collection and updating of this information.

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

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
COLLEGE & UNIVERSITY FUNDS			
<u>Cost</u> - collecting and updating degree offering information	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)

FISCAL IMPACT - Local Government

FY 2018
(10 Mo.)

FY 2019

FY 2020

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill prohibits public institutions of higher education in the State of Missouri from awarding tenure to any person who is hired by such institution for the first time on or after January 1, 2018.

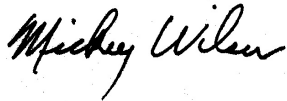
This bill also requires all public institutions of higher education to post alongside their degree offerings, either on-line or in a course catalog, the following information for each degree program offered:

- (1) Estimated cost of the degree based on the hours required to complete the degree program, the books likely required to complete the degree program, and the on-campus housing costs for the number of academic years likely required to complete the degree program;
- (2) Types of employment opportunities generally expected to be available for students who earn the degree;
- (3) The current job market for people who have earned the degree;
- (4) The number and percentage of students who earned the degree employed within one year of graduation for the most recent graduating class for which data is available and, for the students employed, their average income; and
- (5) The number and percentage of students who earned the degree employed within one year of graduation in a field closely related to the degree program for the most recent graduating class for which data is available.

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
Missouri State University
State Technical College of Missouri
St. Louis Community College
Truman State University
University of Central Missouri
University of Missouri



Mickey Wilson, CPA
Director
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Ross Strobe
Assistant Director
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