

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0709-01
Bill No.: HB 168
Subject: Education, Higher
Type: Original
Date: January 25, 2017

Bill Summary: This proposal establishes the “Missouri Promise Act.”

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$18,304,321)	(\$34,528,166)	(\$34,529,269)
Total Estimated Net Effect on General Revenue	(\$18,304,321)	(\$34,528,166)	(\$34,529,269)

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

*Revenue and costs net to zero.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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 (DHE)** assume assume §173.1570 creates a new scholarship program called the Missouri Promise Scholarship. It is a last-dollar scholarship to be given to Missouri residents who enter postsecondary education the semester after graduation from an eligible high school. §173.1572 creates the Missouri Promise Scholarship Fund in the state treasury.

In the Fall 2015, 12,526 first-time, full-time Missouri residents enrolled as freshmen at public two-year institutions; 14,468 first-time, full-time Missouri residents enrolled as freshmen at public four-year institutions; and 5,219 first-time, degree-seeking Missouri residents enrolled in private four-year not-for-profit institutions. It is assumed that all of the first-time, full-time Missouri residents are enrolling in the semester immediately following high school as required by the provisions of this program.

Because we do not collect data that would indicate the percentage of these students that live within a community college district, we are basing the estimate of the cost of tuition and mandatory fees at public two-year institutions on the average A+ award, which is \$2,500 for the current academic year. This average tuition and fee level is also considered to be the maximum award under the program for students attending public four-year and independent institutions. Although the bill may include eligibility for students attending private for-profit institutions, payments to these students are not included in this estimate due to a lack of data.

Based on current data collection, the DHE is unable to determine the amount of gift aid students receive. As a result, this estimate assumes that students will receive no other gift aid. In addition, the program awards are limited to students pursuing associate degrees, certificates, or diplomas. Since not all public four-year and independent institutions offer such programs, it is assumed the proportion of eligible students will be the same as those graduating with those credentials. At public four-year institutions that proportion is two percent and at independent institutions it is 13.4 percent. Although not defined, it is assumed diploma refers to a non-degree graduation credential. We estimate approximately half of the first-time, full-time students enrolling as freshmen at public two-year institutions receive a payment through A+, so we assume the other half of those students would receive a payment under the proposed program.

Assuming enrollment numbers remain consistent and all eligible students opt to receive the Missouri Promise Scholarship, the total number of students to receive a payment in the first year (FY 2018) would be 7,252 ($12,526 \cdot .5 + 14,468 \cdot .02 + 5,219 \cdot .134$). At an average award of \$2,500, the initial program cost would be \$18,130,000. In FY 2019, assuming a nine percent

ASSUMPTION (continued)

attrition rate and that all continuing students perform mentoring and community service as required by the bill, the cost would be \$34,447,500 $[7,252 + (7,252 * .9) = 13,779 * \$2,500]$. Although a substantial percent of students will not complete their program within the two year time frame, we assume that additional cost will be offset by students completing shorter programs before the end of the two year window. Therefore, the FY 2019 cost is considered to be the ongoing cost, although tuition increases and potential changes in enrollment patterns by students which cannot be predicted may have an impact on program cost in the future.

Since this is a large new program, DHE would need one additional FTE at the Research Associate I level and expect all costs to last the life of the program.

According to **Office of Administration's Information Technology Services Division (ITSD)** assume that since this proposal is similar to others they were able to base the cost on those programs. At a cost of \$75 per hour and it is estimated to take 1,728 hours it will cost \$129,600 in FY 2018 and \$26,568 in FY 2019 to maintain.

Officials at the **University of Central Missouri (UCM)** assume little to no fiscal impact on UCM with this legislation. The only possible impact we could foresee would be possibly a few more students each year would choose to attend 4 year universities over community colleges due to the MO Promise Act offering more choice than the current A+ program. However, there is no way to accurately predict or even estimate the number of students this could affect.

Officials at the **Metropolitan Community College (MCC)** assume the impact on MCC would partially be dependent on funding source and whether or not it decreased funding available for other scholarship/aid programs.

There appears to be community service and mentoring requirements, but does not indicate if that is for initial eligibility while the students are still in high school, or if that would be at the college level to maintain eligibility. If at the college level, we would then have a staffing impact and would likely require up to an additional staff member at each campus for providing these services and monitoring student involvement. Either way, it will also require one additional staff member on the Financial Aid team for administering the program, particularly if it is as cumbersome to administer as some of the other state aid programs (i.e. A+).

Officials at the **Missouri State University, Northwest Missouri State University, State Technical College of Missouri** and the **Truman State University** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal to their respective organization.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Transfer Out - MO Promise Scholarships</u> Fund §173.1572	(\$18,130,000)	(\$34,447,500)	(\$34,447,500)
<u>Cost - Dept of Higher Education</u>			
Personal Service	(\$27,840)	(\$33,742)	(\$34,080)
Fringe Benefits	(\$16,881)	(\$20,356)	(\$20,457)
Computer Programming costs	<u>(\$129,600)</u>	<u>(\$26,568)</u>	<u>(\$27,232)</u>
<u>Total Costs - DHE</u>	<u>(\$174,321)</u>	<u>(\$80,666)</u>	<u>(\$81,769)</u>
FTE Change - DHE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$18,304,321)</u>	<u>(\$34,528,166)</u>	<u>(\$34,529,269)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
MISSOURI PROMISE SCHOLARSHIP FUND			
<u>Transfer In - from General Revenue</u>	\$18,130,000	\$34,447,500	\$34,447,500
<u>Revenue - gifts, bequests</u>	Unknown	Unknown	Unknown
<u>Costs - MO Promise Scholarships distributed</u>	(Over <u>\$18,130,000</u>)	(Over <u>\$34,447,500</u>)	(Over <u>\$34,447,500</u>)
ESTIMATED NET EFFECT ON MISSOURI PROMISE SCHOLARSHIP FUND	<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

This bill establishes the Missouri Promise Scholarship Program to be administered by the Coordinating Board for Higher Education and available to Missouri residents seeking an associate's degree, certificate, or diploma from an eligible post-secondary institution under specified terms and conditions.

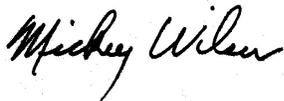
Students who participate in the A+ Schools Program will not be considered eligible for a scholarship under the Missouri Promise Scholarship Program.

The bill creates in the state treasury the "Missouri Promise Scholarship Fund," which must consist of money appropriated annually by the General Assembly from general revenue and any gifts, bequests, or donations. The State Treasurer must be the custodian of the fund and may approve disbursements. The fund must be a dedicated fund and, upon appropriation, money in the fund must be used solely for the administration of the Missouri Promise Scholarship Program. Any moneys remaining in the fund at the end of the biennium must not revert to the credit of the General Revenue Fund. The State Treasurer must invest moneys in the fund in the same manner as other funds are invested. Any interest and moneys earned on the investments must be credited to the fund.

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 Administrative Rules
Metropolitan Community College
Missouri State University
Northwest Missouri State University
Office of the Secretary of State
Office of the State Treasurer
State Technical College of Missouri
Truman State University
University of Central Missouri



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January 25, 2017

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January 25, 2017