

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4626-02
Bill No.: Perfected HCS for HB 1368
Subject: Veterans; Department of Higher Education
Type: Original
Date: March 30, 2018

Bill Summary: This proposal changes the law regarding the Missouri Returning Heroes Education Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
University Funds	Could exceed (\$500,000)	Could exceed (\$500,000)	Could exceed (\$500,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$500,000)	Could exceed (\$500,000)	Could exceed (\$500,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education** and the **Department of Public Safety - Missouri Veterans Commission** assume the proposal will have no fiscal impact on their organizations.

Officials from **Missouri State University** assume there is a negative fiscal impact in excess of \$36,000 for the university

Officials from **Missouri Western State University** assume the proposal has the potential to have a significant negative fiscal impact on the university. The negative impact is estimated at \$4,486.46 annually per eligible veteran enrolled.

Officials from the **University of Central Missouri** anticipate these changes would cost the university \$226,000 per year in tuition revenue absent any reimbursement from the State.

Officials from the **State Technical College of Missouri** assume this proposal would have no impact.

Officials from the **University of Missouri System** assume revenue could be negatively impacted by \$5.6 million to \$21.1 million annually by limiting the tuition charges and from the inability to bill and collect federal funding. This is the estimate for all UM campuses.

Officials from **Northwest Missouri State University** assume this proposal would have a negative fiscal impact to the university of approximately \$80,000 per year.

Oversight notes this proposal makes changes to the Missouri Returning Heroes' Education Act (Act). The Act currently requires public institutions of higher education in this state to limit the amount of tuition that is paid by combat veterans to no more than \$50 per credit hour. This \$50 per credit hour limit is applied only if the veteran is enrolled in a program leading towards a certificate, associate or baccalaureate degree.

Oversight notes this proposal expands the Act to limit the amount that public institutions of higher education can charge for veteran students working toward a graduate degree to no more than 30% of the cost of tuition and fees for those working toward a graduate degree including masters degrees and doctorate degrees.

ASSUMPTION (continued)

Oversight estimates the number of military veterans attending graduate school to be 1,353 based on data from the National Center Education Statistics and the U.S. Census Bureau. Oversight notes the average cost for graduate tuition and fees in Missouri is estimated at \$8,895 per year. If 70% of the graduate tuition and fees were waived, the average amount of waived tuition and fees per year per student would total \$6,226 ($\$8,895 * .70$). Oversight has no way to narrow the number of military veterans attending graduate school listed above to only those meeting the criteria for ‘combat veterans.’ Below is the estimated cost for the graduate tuition waiver assuming different qualification rates and participation rates:

Table I

Qualifies and Participates Rate	Number of Students	Average Tuition Waived (Per Year)
5%	68	\$423,368
25%	338	\$2,104,388
50%	676	\$4,208,776
100%	1352	\$8,417,552

Oversight requested from the Department of Higher Education the amount of tuition and number of students whose tuition has been waived in the past under this \$50 per credit hour existing program. The Department stated they do not routinely gather this information. The last time they asked the institutions for this information was 2011. At that time the institutions reported the one year tuition waiver listed below:

Table II

Institution	Tuition Waived	Number of Students
Crowder	\$3,967	11
East Central Community College	not reported	
Harris- Stowe	\$8,094	2
Jefferson College	\$12,215	24
Lincoln University	\$11,977	6

Institution	Tuition Waived	Number of Students
Metropolitan Community College	not reported	
Mineral Area Community College	\$608	1
Missouri Southern State University	\$7,690	10
Missouri State University	\$173,816	40
Missouri Western State University	\$18,311	12
Moberly Area Community College	\$28,935	40
North Central Community College	\$0	0
Northwest Missouri State University	\$9,730	4
Ozark Technical College	\$34,388	87
Southeast Missouri State University	\$84,766	56
St. Charles Community College	\$21,090	37
St. Louis Community College	not reported	
State Fair Community College	\$2,512	10
State Technical College of Missouri	\$33,061	11
Three Rivers Community College	\$4,702	13
Truman State University	\$0	0
University of Central Missouri	\$75,485	22
University of Missouri	\$443,586	207
Total	\$974,933	593

Based on the information above, **Oversight** notes the cost to the colleges and universities of the existing Missouri Returning Heroes program was approximately \$974,933 in 2011 with 593 veterans participating (a veteran participation rate estimated at approximately 6.4%). Oversight is unable to determine how many eligible veterans would participate in the graduate tuition and fee reduction.

ASSUMPTION (continued)

According to U.S. Census data, there were 45,086 students in graduate, professional public schools in Missouri in 2016, and 256,181 in college, undergraduate. This equates to approximately 17.6% (45,086 / 256,181). Applying this same percentage to the number of reported students that utilized the current program (593), you could reasonably assume that 104 students would utilize the new program and result in approximately \$647,500 in reduced fees and tuition (104 x \$6,226 = \$647,500).

Oversight notes both the University of Missouri and Missouri State University reported on their FY 2019 appropriation request, the amount of foregone tuition from the current version of the Missouri Returning Heroes Act:

	University of Missouri	Missouri State University
Cumulative Tuition Waived	\$4,757,362 (Over 9 Years)	\$648,448 (Over 10 Years)
# of Unduplicated Students	1,731	183
Avg. Annual Tuition Waived	\$582,596	\$64,845
Avg. Annual # of Students	192	18.3
Undergraduate Enrollment	59,418	17,793
% of Enrolled Students	.3%	.1%

Source: University Appropriation Requests for FY 2019

Assuming a similar the rate of participation relative to the total number of students enrolled in graduate, professional public schools in Missouri (45,086), **Oversight** estimates the following costs:

	Number of Participants	Tuition Waived (\$6,226)
High (.3%)	45,086 * .003 = 136	\$846,736
Low (.1%)	45,086 * .001 = 45	\$280,170
Average (.2%)	45,086 * .002 = 90	\$560,340

Due to numerous unknown variables, **Oversight** will reflect a cost of could exceed \$500,000.

ASSUMPTION (continued)

House Amendment 1

Officials from the **Department of Higher Education** and **Department of Public Safety - Missouri Veterans Commission** assume the proposal as amended will have no fiscal impact on their organizations.

Oversight notes this proposal as amended requires the tuition limitation to be provided after all other federal and state aid is applied. Under current statute, the tuition limitation is provided before all other federal and state aid has been applied.

Oversight notes the Missouri Returning Heroes Program was changed by SB 968 in 2016. SB 968 modified the program so the tuition limitation was applied before all other federal and state aid.

Oversight notes applying the tuition limitation after all other federal and state aid could result in an in offsetting increase in revenue for universities that would receive tuition at the regular rate from other federal and state benefits for which the veteran is eligible.

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information or on information regarding a previous version of the proposal. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
UNIVERSITIES			
<u>Revenue</u> - unreduced tuition received from other federal and state benefits (HA1)	Unknown	Unknown	Unknown
<u>Loss</u> - to Universities - reduced tuition rate for combat veterans	(Could exceed <u>\$500,000</u>)	(Could exceed <u>\$500,000</u>)	(Could exceed <u>\$500,000</u>)
ESTIMATED NET EFFECT ON UNIVERSITIES	(Could exceed <u>\$500,000</u>)	(Could exceed <u>\$500,000</u>)	(Could exceed <u>\$500,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 requires any institution of higher education that receives state funds to limit the amount of tuition it charges to combat veterans enrolled in a program leading to a graduate degree to no more than 30% of the cost of tuition and fees.

This bill requires the tuition limitation to be provided after all other federal and state aid is applied.

A combat veteran is eligible for the tuition limitation for a 20-year period beginning on the date of the veteran's last discharge from service.

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
Department of Public Safety - Missouri Veterans Commission
Missouri State University
Missouri Western State University
State Technical College of Missouri
University of Central Missouri
University of Missouri System

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SOURCES OF INFORMATION (continued)

Northwest Missouri State University
U.S. Census Bureau
U.S. Department of Education - National Center for Education Statistics

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
March 30, 2018