

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5478-03  
Bill No.: Truly Agreed To and Finally Passed SS for HB 1744  
Subject: Elementary and Secondary Education; Elections; Higher Education; State Treasurer  
Type: Original  
Date: May 31, 2018

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(Could exceed \$960,000)	(Could exceed \$960,000)	(Could exceed \$960,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$960,000)</b>	<b>(Could exceed \$960,000)</b>	<b>(Could exceed \$960,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
College & University Funds	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §160.545 A+ Program

Officials from the **Department of Higher Education (DHE)** assumed Section 160.545.8(1) changes who is eligible to receive an A+ award by removing the word "immediately" from the requirement that students attend "a high school in the state for at least three years immediately prior to graduation." DHE assumed that students could attend any combination of three years (such as 9, 10, 11; 9, 10, 12; 9, 11, 12; or 10, 11, 12) at an A+ designated high school and be eligible for A+ scholarships, as long as they meet all other eligibility requirements, including graduation from a designated high school.

DHE assumed there was no way to determine what the fiscal impact of the A+ high school attendance change would be. Neither the Department of Higher Education nor the Department of Elementary and Secondary Education collect data concerning the number of students that forfeit their A+ eligibility because they do not attend an A+ designated high school for the three years immediately prior to graduation.

As an additional note, the average A+ award for 2017-2018 is projected to be \$2,750 per student. The students affected are those who participate in an internship, a foreign exchange program, or who otherwise do not attend an A+ designated high school during either their sophomore, junior or senior year.

Officials from the **Office of Administration - Budget and Planning** assume section 160.545 removes the requirement that a student's attendance of a high school in the state be the three years immediately prior to graduation to qualify for the A+ Schools Program. This provision is not expected to affect TSR or 18(e). There may be additional costs to the program incurred if the number of eligible students increases.

**Oversight** notes the A+ program provides tuition reimbursement to eligible graduates of designated high schools to attend public community colleges, public vocational or technical schools, or private two-year vocational or technical schools. There are 592 designated high schools.

ASSUMPTION (continued)

Table I - Students receiving A+

	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Projected	FY 2019 Projected
Number of Students Paid	12,853	13,142	12,633	12,775	13,375	13,916
Number of Schools Designated	533	533	534	592	615	620
Total Expenditures (millions)	\$32.2	\$33.5	\$32.5	\$34.2	\$39.5	N/A

Source: Department of Higher Education Budget

In the past, **Oversight** contacted several of the larger school districts in the state and found that the schools do not offer any internships or foreign exchange programs that would allow students to sit out a year of high school. The schools responded they do not track how many students are rejected from the A+ program for failure to maintain the required attendance.

**Oversight** notes that if 38 additional students were added to the program due to the attendance requirement changes, the impact could reach the \$100,000 threshold (\$2,662 average award amount x 38 new students = \$101,156). Oversight does not know how many students this will help, so we will show the impact as a potential unknown increase in program expenditures assuming the per student award amount remains stable.

§162.441 Attachment of Community College Districts to School Districts

Officials from the **Office of Administration - Budget and Planning** assume section 162.441 creates a new mechanism for community college districts to propose attachment to public school taxing districts through voter approval in order to increase their tax base and expand those eligible for in-district tuition rates. The community college shall be responsible for the costs associated with the election. This provision is not expected to affect TSR or 18(e).

ASSUMPTION (continued)

In response to a similar proposal, Perfected SCS for SB 990 (LR 6302-02), officials from the **Kansas City Election Board** assumed the fiscal impact for this proposal could range from \$2,000 to \$200,000 depending on the size of the jurisdiction having the election and on how many entities participate in sharing the cost of the election.

In response to a similar proposal, Perfected SCS for SB 990 (LR 6302-02), officials from the **Jackson County Election Board, St. Louis County Election Board, and Wellsville-Middletown R-1 School District** assumed the proposal would have no fiscal impact on their organizations.

In response to a similar proposal, Perfected SCS for SB 990 (LR 6302-02), officials from the **St. Louis Community College** assumed there is no negative fiscal impact.

In response to a similar proposal, SB 990 (LR 6302-01), officials from the **Kirksville R-III School District** assumed the proposal would have no fiscal impact on their organization.

**Oversight** will reflect a potential fiscal impact to community college districts for costs of holding the elections. Oversight assumes that any funds generated from the tax levy would be used by the community college districts in the year in which the funds were received.

§166.435 MOST & ABLE Accounts

Officials from **Office of Administration - Budget and Planning (BAP)** assume section 166.435 allows MOST account holders to transfer money to a Missouri ABLE account while retaining tax-exempt status on the transferred money. To the extent that taxpayers transfer monies from MOST Accounts to ABLE Accounts that would have otherwise been taxable distributions, general and total state revenues may be negatively impacted. B&P does not have sufficient data to estimate the impact.

**Oversight** notes an ABLE (Achieving a Better Life Experience) account is an investment account available to individuals with disabilities. The earnings on the accounts are tax-deferred and tax-free when used to pay for qualified disability expenses.

**Oversight** notes a MOST 529 account is a college savings investment account (Missouri's 529 College Savings Plan). The earnings from the account are deferred from federal and state income taxes when used for qualifying expenses.

ASSUMPTION (continued)

**Oversight** notes recent changes to federal law allow transfers from 529 plans college savings plans to ABLE plans without federal tax consequences. Under current state law, transfers from MOST 529 college savings accounts to ABLE accounts would be subject to state taxation. Oversight assumes this proposal would allow transfers from MOST 529 college savings accounts to ABLE accounts without state tax consequences.

**Oversight** notes the assets of MOST 529 accounts totaled \$2.492 billion at the end of 2015.

**Oversight** cannot estimate the amount of funds that would transfer from MOST accounts to ABLE accounts as a result of this proposal. Oversight will show a fiscal impact of an unknown loss based on the response from BAP.

§173.1101 to §173.1107 Virtual Institutions participating in Access Missouri Program

Officials from the **Department of Higher Education** assumed section 173.1101 adds virtual institutions (defined in subdivision (4)) to the list of those approved to participate in the Access Missouri Financial Assistance Program. Currently, the only institution that meets the definition of “virtual institution” is Western Governor’s University. To be eligible for Access Missouri, students need to file their FAFSA by the priority deadline of February 1, or the final deadline of April 1, each year. While not all students will file by the final deadline, DHE does expect the number who do to increase.

DHE stated since an increase in the number of eligible students does not require a specific increase in the appropriation to the program, the projected fiscal impact of this change is zero. However, there are about 480 students who indicated they will attend Western Governors University during the 2017-2018 academic year who have an expected family contribution of less than \$12,000, making them potentially eligible for an award. The current award amount is \$2,000, and adding this pool of students could require \$960,000 (480 x \$2,000) to continue to maintain award amounts.

Officials from the **Office of Administration - Budget and Planning** assume sections 173.1101-173.1107 add approved virtual institutions to the Access Missouri Financial Assistance Program. This provision is not expected to affect TSR or 18(e).

In response to a similar proposal, Perfected HB 1267 (LR 4114-01), officials from **Missouri Western State University** assumed this proposal could have an unknown negative fiscal impact, depending on how many students choose to enroll in a virtual institution instead of Missouri Western.

ASSUMPTION (continued)

In response to a similar proposal, Perfected HB 1267 (LR 4114-01), officials from **St. Louis Community College, University of Missouri System** and **University of Central Missouri** assumed the proposal will have no fiscal impact on their organizations.

**Oversight** notes this proposal would allow students that attend approved virtual institutions to receive money from the Access Missouri Financial Assistance Program. An approved virtual institution is amended in §173.1101 to §173.1107 to allow students from Western Governors University to receive this funding.

**Oversight** notes the Access Missouri program is designed to provide need-based financial aid to eligible Missouri residents. Students with an expected family contribution below the established cutoff are eligible for the award. Award amounts are graduated, using statutory formula, based on the student's expected family contribution.

Starting in FY 2015 and beyond the award amounts are:

Public two-year sector = \$300 minimum and \$1,300 maximum

Public four-year sector and State Technical College = \$1,500 minimum and \$2,850 maximum

Private institutions = \$1,500 minimum and \$2,850 maximum.

Table II

	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Target
Number of Students	51,367	48,299	44,480	45,443
Appropriated Amount	\$68,682,307	\$59,682,507	\$63,682,307	63,682,307

Source: DHE budget submission

**Oversight** notes each year the Legislature appropriates funding for the Access Missouri Financial Assistance Program, from General Revenue, Lottery Proceeds and other Funds. For FY 2018, \$63,682,307 was appropriated for a projected 45,443 students. Should the amount of the appropriation remain the same and the number of eligible students increase, then the amount distributed to each individual student would be reduced. Should the Legislature decide to increase the appropriation to cover the additional Western Governors University students, then General Revenue would be impacted but the individual student's funding level would not.

ASSUMPTION (continued)

**Oversight** will show the impact as \$0 (no additional funds appropriated) or could exceed the estimate provided by DHE, depending upon appropriation authority changes for FY 2019 and beyond.

§173.1592 Meal Plans

Officials from the **Office of Administration - Budget and Planning** assume section 173.1592 prohibits public colleges from requiring a student to purchase a meal plan if they provide documentation of a medical dietary issue. This provision is not expected to affect TSR or 18(e).

In response to a similar proposal, HB 1679 (LR 4322-01), officials from the **University of Central Missouri** assumed this proposal would have a negative impact on the university as follows:

Table III

	10 Students	50 Students	100 Students	150 Students	200 Students
Board (\$1,571 per Semester)	\$15,710	\$78,500	\$157,100	\$235,650	\$314,200
<b>Total Loss per Year</b>	<b>\$31,420</b>	<b>\$157,000</b>	<b>\$314,200</b>	<b>\$471,300</b>	<b>\$628,400</b>

In response to a similar proposal, HB 1679 (LR 4322-01), officials from **University of Missouri System** assumed there would be no negative fiscal impact on the university.

In response to a similar proposal, HB 1679 (LR 4322-01), officials from the **Missouri Western State University** assumed this proposal would not have a fiscal impact on the university. The university has a similar policy in place for students with dietary concerns.

**Oversight** notes this provision would prohibit public institutions of higher education from requiring a student to purchase a meal plan when the student has presented medical documentation of a medical dietary issue.

**Oversight** estimates the number of students enrolled in public institutions of higher education with food allergies to be 12,349 based on information from the Center for Disease Control (4%-6% of persons are affected by food allergies) and the Department of Higher Education (246,979 public higher education students).



ASSUMPTION (continued)

If 25% (3,087) of those students are freshmen required to have a meal plan, and assuming 10% (308) would choose to opt out of the meal plan requirement, Oversight estimates the loss of revenue to colleges and universities at \$967,736 (308 \* \$3,142) using the board rate provided by University of Central Missouri.

However, **Oversight** is unable to determine how many students are affected by food allergies and currently are not able to opt out of their food plan. Oversight will show the loss of revenue as unknown.

Bill as Whole

Officials from the **Department of Revenue, Office of the State Treasurer, Office of the Governor, Department of Elementary and Secondary Education, State Technical College of Missouri, Platte County Board of Elections, St. Louis County and Missouri State University** assume the proposal will have no fiscal impact on their organizations.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Cost</u> - DHE - additional students eligible for A+ program §160.545	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Loss</u> - of income tax revenue from transfers to ABLE accounts from MOST accounts (which is currently state-taxable) §166.435	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DHE - potential increased Access MO funding for students attending a virtual institution §173.1101 to §173.1107	\$0 or (Could exceed <u>\$960,000</u> )	\$0 or (Could exceed <u>\$960,000</u> )	\$0 or (Could exceed <u>\$960,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Could exceed <u>\$960,000</u>)</b>	<b>(Could exceed <u>\$960,000</u>)</b>	<b>(Could exceed <u>\$960,000</u>)</b>

**COLLEGE & UNIVERSITY FUNDS**

<u>Loss</u> - of revenue from meal plans - §173.1592	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COLLEGE &amp; UNIVERSITY FUNDS</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
<b>COMMUNITY COLLEGE DISTRICTS</b>			
<u>Costs</u> - election costs regarding plan of attachment of the school district and the community college district - \$162.441	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Income</u> - tax levied on school district for community college district - \$162.441	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Expense</u> - additional funds spent by community college - \$162.441	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO COMMUNITY COLLEGE DISTRICTS</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill modifies the A+ Schools Program by removing the requirement that the student's attendance of a public high school in the state be the three years immediately prior to graduation. This provision contains an emergency clause. (160.545)

Under current law, in order for a school district to become attached to a community college district, a petition must be submitted to the school board of the school district signed either by voters of the district equal in number to ten percent of those voting in the last school election at which school board members were elected or by a majority of the voters of the district, at which point an election must be called. This act provides that a community college district may, by a majority vote of its board of trustees, propose a plan to the voters of the school district to attach

FISCAL DESCRIPTION (continued)

the school district to the community college district, levy a tax rate equal to the rate applicable to the community college district at the time of the vote of the board of trustees, and call an election upon the question of such plan. The community college district shall be responsible for the costs associated with the election. (162.441)

This act modifies the Missouri Higher Education Savings Program to allow Missouri 529 account holders to transfer money from such 529 account to a Missouri ABLE account while retaining tax exempt status on any money transferred. (166.435)

This act allows students enrolled in virtual institutions, as defined in the act, to participate in the Access Missouri Financial Assistance Program. (173.1101 to 173.1107)

A virtual institution must continuously maintain all specified requirements to be considered an approved virtual institution.

After July 1, 2019, this bill will prohibit any public institution of higher education in Missouri from requiring any student to purchase meal plans or require students to dine at on-campus facilities when a student has presented medical documentation of a food allergy or sensitivity, or a medical dietary issue, to the institution.

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 Elementary and Secondary Education  
Office of the Governor  
Office of the Secretary of State  
Kansas City Election Board  
Department of Revenue  
Office of Administration - Budget and Planning  
Office of the State Treasurer  
Jackson County Election Board  
St. Louis County Election Board  
St. Louis County  
Platte County Board of Elections  
State Technical College of Missouri

SOURCES OF INFORMATION (continued)

St. Louis Community College  
Missouri Western State University  
Missouri State University  
University of Missouri System  
University of Central Missouri  
Kirksville R-III School District  
Wellsville-Middletown R-1 School District

Ross Strope



Acting Director  
May 31, 2018