

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1942H.011
Bill No.: HB 856
Subject: Education, Higher; Higher Education and Workforce Development, Department of
Type: Original
Date: February 8, 2021

Bill Summary: This proposal suspends the caps on tuition increases at public institutions of higher education for five years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Colleges & University Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** and **Department of Public Safety - Missouri National Guard** each assume the proposal will have no fiscal impact on their respective organizations.

Upon further inquiry, **DHEWD** stated raising tuition doesn't change the scholarship amounts, but lowers their buying power at those institutions. If faced with tuition increases such that it significantly impacts the scholarship buying power, the Department would likely ask for an increase in appropriations to those scholarships to assist students.

Oversight notes some scholarship programs offer full reimbursement of tuition. For instance, the A+ Schools program states:

- The scholarship will reimburse the unpaid balance of your tuition and general fees after all available, non-loan federal financial assistance, such as the federal Pell grant, has been applied to your account.
- The tuition amount eligible for reimbursement is capped at the published standard per credit hour tuition rate charged by State Technical College of Missouri. The reimbursement cap is subject to change annually as tuition rates change.

Oversight assumes if some institutions of higher education increase tuition rates this could increase scholarship reimbursement costs for certain scholarship programs including the A+ Schools program and the Educational Assistance Program through the Missouri National Guard.

In addition, DHEWD stated they have had one institution exceed the tuition limit and apply for a waiver. DHEWD granted the waiver and waived the 5% provision as well (as allowed in the statute). That was MSSU in 2018. No one has ever had to remit the 5%.

Officials from **Missouri State University** assume this proposal would have a positive impact of an undetermined amount on Missouri State University.

Officials from **State Technical College of Missouri** assume this would have a positive fiscal impact on the College. No amount can be estimated.

Officials from the **St. Charles Community College** assume the proposal will have no fiscal impact on their organization.

Officials from the **University of Central Missouri** assume there is a potential for an increase or decrease in revenue based on the rates set by the Board of Governors.

Oversight notes the average tuition and fee increase for two-year institutions from FY 2020 to FY 2021 was approximately 3.82%. Current statute allows institutions to raise tuition rates based on the Consumer Price Index with an allowance for reductions in state operating support. Oversight notes the following tuition rates and increases assuming a 3% increase. (For simplicity, Oversight assumes this 3% increase occurs in addition to CPI and any adjustments for state operating support.)

Two Year Institutions	2021 Tuition*	Tuition with 3% Increase	2020 FTE Enrollment	Estimated Increase
Crowder College	\$3,990.00	\$4,109.70	2,678	\$320,557
East Central College	\$3,960.00	\$4,078.80	1,642	\$195,070
Jefferson College	\$4,260.00	\$4,387.80	2,430	\$310,554
Metropolitan Community College	\$3,230.00	\$3,326.90	8,530	\$826,557
Mineral Area College	\$3,650.00	\$3,759.50	1,732	\$189,654
Missouri State University - West Plains	\$4,620.00	\$4,758.60	1,084	\$150,242
Moberly Area Community College	\$3,510.00	\$3,615.30	3,139	\$330,537
North Central Missouri College	\$3,750.00	\$3,862.50	1,014	\$114,075
Ozarks Technical Community College	\$4,820.00	\$4,964.60	7,428	\$1,074,089
St. Charles Community College	\$3,600.00	\$3,708.00	4,223	\$456,084
St. Louis Community College System	\$3,495.00	\$3,599.85	8,935	\$936,835
State Fair Community College	\$4,110.00	\$4,233.30	2,500	\$308,250
State Technical College of Missouri	\$6,840.00	\$7,045.20	1,866	\$382,903
Three Rivers Community College	\$4,260.00	\$4,387.80	1,926	\$246,143
		Total	49,127	\$5,841,549

*In-district tuition and fees charged to a typical full-time student per year.

Oversight notes DHEWD is projecting A+ scholarship payments for 13,764 students with an average award of \$3,570 per the DHEWD FY 2022 Budget Request. The weighted average increase in tuition costs is estimated at \$119 per full-time equivalent student. Oversight estimates a 3% increase in tuition could increase A+ scholarship awards by \$1,636,637.

Oversight notes if Ozark Technical Community College raised tuition by 3% and 28% (13,764/49,127) of students received a scholarship award, Oversight estimates the cost to the A+ Schools program at \$300,929 (2,081 students * \$145).

Oversight assumes this proposal gives institutions the opportunity to raise tuition rates beyond the statutory cap for a limited period of time, but does not require them to do so. Therefore, Oversight will show a range of impact to Colleges and Universities of \$0 (no tuition increases) to an unknown revenue gain for Colleges and Universities depending on the increase(s).

In addition, **Oversight** will show a range of impact of \$0 (no tuition increases or scholarship programs not impacted) to an unknown cost to General Revenue for increased scholarship award costs.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs - DHEWD - increased costs for scholarship awards</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs - MNG - increased costs for State Educational Assistance Program</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
COLLEGE & UNIVERSITY FUNDS			
<u>Revenue Gain - from suspending the statutory cap on tuition rates</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
COMMUNITY COLLEGE FUNDS			
<u>Revenue Gain - from suspending the statutory cap on tuition rates</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON COMMUNITY COLLEGE FUNDS	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL IMPACT – Small Business

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

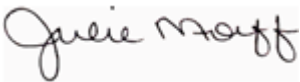
FISCAL DESCRIPTION

This bill will allow community colleges and public universities to exceed the percentage change limitations for tuition currently established in Section 173.1003, RSMo, for a period of time from July 1, 2022 to June 30, 2027.

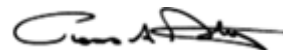
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education and Workforce Development
Missouri National Guard
Missouri State University
State Technical College of Missouri
St. Charles Community College



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February 8, 2021



Ross Strobe
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