

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1942H.02C
Bill No.: HCS for HB 856
Subject: Education, Higher; Higher Education and Workforce Development, Department of
Type: Original
Date: March 22, 2021

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

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
College & 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 or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

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

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **University of Missouri System** assume the proposed suspension of the tuition caps would have a positive financial impact on the University of Missouri. The future pricing would still be subject to what market would allow but provides for price adjustment for the degrees that are more costly to deliver and provide higher wages to our graduates. The proposed legislation would have a positive financial impact of an undetermined amount for the University of Missouri.

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.

Officials from **Northwest Missouri State University** assume a minimal fiscal impact due to usage of differentiated tuition instead of course fees. This version has no end date compared to the previous version. Since no reinstatement (of tuition caps), there could be a long term favorable impact.

Section 173.1003.9 Tuition Caps Suspended

Oversight assumes the Higher Education Student Funding Act (HESFA) average tuition calculation is based on four year institutions only, so suspending the cap on four-institutions could potentially raise the average tuition calculation, thereby setting a higher tuition ceiling for two-year colleges. However, per DHEWD, no two-year institution has exceeded the existing average tuition ceiling, so Oversight assumes it would be unlikely that two-year colleges would increase tuition as a result of a higher average tuition ceiling.

Oversight is uncertain how the recent approval by the Coordinating Board for Higher Education for St. Louis Community College and Ozarks Technical Community College to offer a single bachelor's (four year) degree will impact the HESFA calculation.

Oversight notes some scholarship programs offer full reimbursement of tuition such as the A+ Scholarship program. Oversight assumes the impact to the A+ Scholarship program is likely limited to those students attending State Technical College. State Tech has 971 students receiving A+ Scholarship awards.

Below is a chart of scholarship programs that offer reimbursement of tuition along with the estimated program expenditures for students attending public four year universities and State Tech.

Public Four Year & State Tech (Only)

Program	Program Expenditure FY 2020
A+ Scholarship (State Tech only)	\$5,704,093
Fast Track	\$154,408
Public Service Officer or Employee's Child Survivor Grant	\$106,417
Wartime Veteran's Survivors Grant	\$258,585
Total	\$6,223,503

Source: FY 2022 DHEWD Budget Request

If tuition increases allowed under this proposal resulted in a 3% increase in the total award amount, **Oversight** estimates the cost at approximately \$186,705 ($\$6,223,503 * .03$). This estimate does not include the estimated growth of the Fast Track program in FY 2022 (from 189 students to 1,567 students per the DHEWD FY 2022 Budget Request).

In addition, the A+ Scholarship programs was expanded to include reimbursement of any dual credit and dual enrollment courses including those offered by public four-year colleges and public universities. Oversight notes this expansion was not funded in FY 2021. Oversight is uncertain if the expansion of the A+ Scholarship program will be funded in future years.

Oversight notes State Technical College of Missouri has 971 students receiving A+ Scholarships.

Upon further inquiry, **DHEWD** stated, if this bill passes, State Tech may raise its tuition more than it would otherwise be allowed to under HESFA; however, it is unlikely to raise the tuition so much as to significantly impact the A+ appropriation. There are market factors and other considerations that effectively limit how high an institution can raise its tuition without losing students. Further, State Tech has a comparatively small number of A+ students compared the community colleges. For all these reasons, DHEWD does not estimate a fiscal impact.

In addition, for FY 2022, DHEWD's A+ new decision item (NDI) for FY 2022 already includes a three percent increase in the program cost. Likewise, DHEWD has included a three percent increase in the FY 2022 NDI for the War Vets program. For Public Service Officer, DHEWD projected a 2 percent increase but should have sufficient funding to cover an additional one percent. Fast Track is a little more difficult because it is still growing, but staff believe that for FY 2022, DHEWD have requested sufficient funds to cover a three percent tuition increase at public four-year institutions.

In the out years, beyond FY 2022, it is almost impossible to predict because other factors, such as student interest, enrollment patterns, federal changes to the FAFSA and the Pell grant, are probably going to have a bigger impact on program costs than removing the HESFA cap. Since the bill does not mandate tuition increases and DHEWD will have the opportunity to request those funds as part of the regular growth in the programs, staff still do not believe the fiscal impact in those years will be significant.

Oversight notes tuition increases would also impact the State Educational Assistance Program administered by the Missouri National Guard with a program expenditure of approximately \$4.6 million. Oversight is uncertain how many of the students receiving State Educational Assistance are attending public four year universities or State Technical College of Missouri.

Upon further inquiry, **MNG** stated raising tuition doesn't change the scholarship amounts, but would lower their ability to approve requests for tuition assistance. Increased tuition would significantly impact the scholarship buying power, which would require MNG to likely request an increase in appropriations for our tuition assistance program.

Oversight notes DHEWD and MNG do not anticipate a fiscal impact. However, Oversight assumes if some institutions of higher education increase tuition rates beyond the existing cap this could increase scholarship reimbursement costs for certain scholarship programs relative to what would occur under current law. In order to award tuition reimbursement at a higher rate, Oversight assumes these agencies would have to request additional appropriations. Therefore, Oversight assumes this would be an additional cost to the state and will show a range of impact of \$0 (no tuition increases, scholarship programs not impacted, or no increase in appropriation) to an unknown cost to General Revenue for increased scholarship award costs.

Oversight assumes this proposal suspends tuition caps indefinitely beginning on July 1, 2022. 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) beginning in FY 2023.

Section 173.1003.10 Course Fees and Differential Tuition

Oversight assumes, with the indefinite suspension of tuition caps, some institutions may implement differential tuition schedules. This proposal states that institutions can no longer utilize course fees if an institution implements differentiated tuition. Depending on the price elasticity of demand, Oversight assumes some institutions could charge lower tuition rates that

would result in an increase in the quantity demanded and subsequently an increase in revenue. For purposes of this fiscal note, Oversight assumes institutions would not charge differentiated tuition rates (and forego course fees) that would result in a cumulative decrease in revenue; therefore, Oversight assumes this provision would result in a net positive impact to universities.

Oversight assumes differentiated tuition rates would have an unknown impact on tuition reimbursement programs depending on if the students receiving reimbursement are enrolled in a programs that charge higher or lower tuition rates relative to what would occur under current law.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs</u> - DHEWD/MNG - increased costs for tuition reimbursement programs from suspension of caps	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings/Costs</u> - DHEWD/MNG - savings or costs for differential tuition rates	\$0	\$0 or (Unknown) to <u>Unknown</u>	\$0 or (Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>
COLLEGE & UNIVERSITY FUNDS			
<u>Revenue Gain</u> - from suspending the statutory cap on tuition rates	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain</u> - institutions charging differential tuition rates	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue Loss</u> - institutions no longer charging course fees	<u>\$0</u>	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<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 will allow community colleges and public universities to exceed the percentage change limitations for tuition currently established in Section 173.1003, RSMo. The bill requires public institutions that utilize differentiated tuition to notify the Department of Higher Education and Workforce Development and to no longer utilize required course fees.

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
 Northwest Missouri State University
 State Technical College of Missouri
 University of Central Missouri
 University of Missouri System
 St. Charles Community College



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 March 22, 2021



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