

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1342-01
Bill No.: HB 614
Subject: Education, Higher; Fees
Type: Original
Date: April 18, 2011

Bill Summary: This proposal prohibits a higher education institution from charging a Missouri resident who is a full-time student a tuition rate that exceeds the amount charged when the student enrolls for the next five years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
College and University Funds	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Higher Education** assume that there is no fiscal impact from this proposal.

Officials at the **University of Central Missouri (UCM)** assume one time cost for new system implementation of \$30,000. A tuition freeze would cause UCM to lose revenue in the estimated amount of \$2.5 million per year, based on a CPI inflation of 4%.

Officials at the **Missouri State University** assume staff time would be required to implement this change estimated at \$10,000 -\$25,000. Estimated reduced revenue would be over \$200,000 per year assuming the CPI stays low at 1.5%.

Officials at the **Missouri Western State University** assume this would have a severe negative fiscal impact on our university. In order to guarantee, lock in a tuition rate, tuition would need to be increased for each freshmen class in order to cover inflationary costs and operating costs over a five year period. A complicating issue is that any state appropriation cut that may happen during the guarantee period would not be built into those rates, further creating financial hardship for the university. With this proposal, the school would be prohibited from raising tuition beyond CPI each fiscal year. Therefore, without significant tuition increases to cover a five year guarantee, universities would face severe financial loss.

Officials at the **Missouri Southern State University** assume over the past decade the concept of fixed tuition has been proposed a number of times. There are two significant areas of impact for a University:

1. Administration of a multi-faceted tuition structure
2. Financial Implications

Tracking and sustaining unique tuition rates for different groups of student is administrative complex. The man-hours and effort required to re-tool a student ERP system to accommodate this methodology would be in the hundreds of thousands of dollars. In addition the implications for financial aid packaging are immense.

Cost recovery at a University is the product of two components: price (tuition) and quantity (credit hours). Currently the price component for a given fiscal year is restricted. Implementation of this legislation would also restrict the quantity component. The proposal limits a University's ability to recover its reasonable costs through a tuition increase on all credit hours. The administrative and financial implications involved would create a significant financial hardship on Missouri's Universities.

ASSUMPTION (continued)

Officials at the **Metropolitan Community College** assume this would require system setup and maintenance each semester. The initial setup would cost about \$25,000 and maintenance per year would run an additional \$10,000-\$12,000 per year.

Officials at the **Harris-Stowe State University** assume the cost to the University would be in excess of \$150,000 per year.

Officials at the **St. Charles Community College** assume a fiscal impact cannot be calculated with the information provided and the short period of time given to review the bill. It can be stated with certainty that the proposed legislation would have significant costs to St. Charles Community College for implementation and on-going administration.

The college's current enterprise software for enrollment, billing, accounting and student records will not accommodate the complexity of the bill requirements. Significant programming and perhaps even system replacement would be necessary to manage the numerous tuition rate scenarios. This would create a considerable cost to the college that can't be estimated at this point.

On-going administration of the proposed requirements would be very labor intensive. The eligibility of students could change during a semester if a full-time student drops classes and becomes a part-time student. Continuous enrollment would be difficult to determine if summer semesters are excluded. Also, it's not clear what rates could be charged for summer sessions, since they are excluded from the bill. It is likely many processes related to determination of eligibility would be performed manually, which would require additional staff positions and related costs.

The requirements of the bill will make college budgeting and forecasting for tuition revenues extremely imprecise, especially in the near term when no historical data is available. It is impossible to predict how many prospective part-time students would change their educational plans to take advantage of the tuition lock. For the spring 2011 semester, 51.9% of the college's students are part-time.

Establishing tuition rates based on unknown circumstances may result in full-time students not paying for the true cost of their education. During the five-year lock period, revenue sources could change (example: state funding could be reduced) and many cost factors would likely increase. Part-time students and future full-time students may be subjected to inordinately higher tuition rates to compensate for those students that qualified for the tuition lock.

ASSUMPTION (continued)

Officials at the **Moberly Area Community College** assume it does not appear that the college's current administrative software program can handle the individual tracking and implementation of a tuition rate tied to date of enrollment. A replacement of the administrative software program is projected to cost \$2,000,000 to \$3,000,000 with annual maintenance charges increased by \$200,000 to \$500,000.

Officials at the **Northwest Missouri State University** assume computer programming costs of \$33,012 in FY 2012 and \$6,898 in future years for maintenance. Additionally they assume a tuition loss of \$1,614,563 in FY 2012 and \$1,698,875 in future years.

Officials at the **St. Louis Community College** assume \$25,000 to \$30,000 in additional expenses for computer programming changes. The loss of tuition could be \$5 million over 5 years.

Officials at the **Linn State Technical College** assume an unknown impact.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
COLLEGE AND UNIVERSITY FUNDS			
Cost - College and University computer programming updates and tuition loss	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>
ESTIMATED NET EFFECT ON COLLEGE AND UNIVERSITY FUNDS	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<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 prohibits an institution of higher education in Missouri that receives any state funds from charging a Missouri resident who is a full-time student enrolled in the institution after the 2010-2011 academic year a tuition rate that exceeds the amount that was charged at the time the student first enrolled in the institution for the next five continuous academic years following the student's initial enrollment. A student who is enrolled before the 2011-2012 school year will remain at the 2011-2012 tuition rate. To qualify, a student must be continuously enrolled, except summer sessions. Tuition for degree programs that require more than four years to complete must not exceed the amount charged at the time the student first enrolled for the customary time required to complete the program as defined by the individual institution. A student who changes majors will be charged what would have been charged had the student been admitted to the new degree program when the student first enrolled. An undergraduate student who elects to attend graduate school will be required to lock in the tuition at the rate as of the first semester of his or her graduate studies.

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

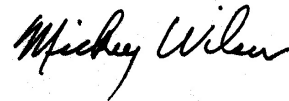
Department of Higher Education
Harris-Stowe State University
Linn State Technical College
Metropolitan Community College
Missouri Southern State University
Missouri State University
Missouri Western State University
Moberly Area Community College
Northwest Missouri State University
St. Charles Community College
St. Louis Community College
University of Central Missouri

JH:LR:OD

L.R. No. 1342-01
Bill No. HB 614
Page 7 of 7
April 18, 2011

Not Responding

Crowder College
East Central College
Jefferson College
Lincoln University
Southeast Missouri State University
St. Fair Community College
Three Rivers Community College
Truman State University
University of Missouri



Mickey Wilson, CPA
Director
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