

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6132-01  
Bill No.: HB 1925  
Subject: Education, Higher; Fees  
Type: Original  
Date: April 20, 2012

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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 first enrolled for the next five years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
College and University Funds	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown - Greater than \$1,000,000)</b>	<b>(Unknown - Greater than \$1,000,000)</b>	<b>(Unknown - Greater than \$1,000,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>(Unknown - Greater than \$1,000,000)</b>	<b>(Unknown - Greater than \$1,000,000)</b>	<b>(Unknown - Greater than \$1,000,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Higher Education** responded that this proposal would have no direct foreseeable fiscal impact on their agency.

Officials at the **University of Central Missouri (UCM)** assume a one time expense for new system implementation of \$30,000.

Based on current enrollment, potential revenue losses of over \$1.2 million the second year after implementation, increasing to nearly \$3 million by year five and continuing to increase significantly each year as tuition revenues lag behind the Consumer Price Index (CPI) to a cumulatively greater extent year.

Officials at the **Missouri State University** assume they will have to reprogram their student billing modules in the ERP system. There will need to be many fee rules changed to accommodate full time students and the significant number of add/drops for credit hours during the semesters. At least one senior and one technical programmer and multiple staff in registration, financial services and financial aid will be required for six months to reprogram fee rules. Estimated cost is \$100,000 for first year.

Assuming CPI remains at 3% per year, it would take five years for the full impact to be felt. The following is the estimated lost revenue per fiscal year ending June 30, 2012 - 0; 2013 (\$2,203,000); 2014 - (\$3,921,000); 2015 (\$5,142,000); 2016 (\$5,847,000); 2017 (\$6,018,000). After five full years of students under the plan they anticipate losing 5.7% of revenue under this proposal

Officials at the **Missouri Western State University** assume this would have a severe negative fiscal impact on their 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 **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

ASSUMPTION (continued)

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.

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.

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

In response to similar legislation from last year (HB 614 - FN1342-01), the following colleges and universities provided these responses:

Officials at the **Missouri Southern State University** assumed 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

ASSUMPTION (continued)

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.

Officials at the **Kansas City Metropolitan Community College** assumed this proposal 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** assumed the cost to the University would be in excess of \$150,000 per year.

Officials at the **Moberly Area Community College** assumed 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** assumed computer programming costs of \$33,012 in FY 2012 and \$6,898 in future years for maintenance. Additionally they assumed a tuition loss of \$1,614,563 in FY 2012 and \$1,698,875 in future years.

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

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>COLLEGE AND UNIVERSITY FUNDS</b>			
<u>Cost - Colleges and Universities - Computer programming updates and tuition loss</u>	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)
<b>ESTIMATED NET EFFECT ON COLLEGE AND UNIVERSITY FUNDS</b>	<b><u>(Unknown - Greater than \$1,000,000)</u></b>	<b><u>(Unknown - Greater than \$1,000,000)</u></b>	<b><u>(Unknown - Greater than \$1,000,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Community Colleges - Computer programming updates and tuition loss</u>	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)	(Unknown - Greater than \$1,000,000)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown - Greater than \$1,000,000)</u></b>	<b><u>(Unknown - Greater than \$1,000,000)</u></b>	<b><u>(Unknown - Greater than \$1,000,000)</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 proposed legislation 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 2012-2013 academic year a tuition rate that exceeds the amount that was

FISCAL DESCRIPTION (continued)

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 2012-2013 school year will remain at the 2012-2013 tuition rate.

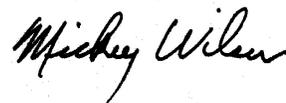
To qualify, a student must be continuously enrolled, except summer sessions. Tuition for degree programs that require more than four years to complete must not exceed the amount charged at the time the student first enrolled for the customary time required to complete the program as defined by the individual 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  
Colleges and Universities

Missouri State University  
Linn State Technical College  
University of Central Missouri  
St Charles Community College  
Missouri Western State University  
Missouri Southern State University  
Kansas City Metropolitan Community College  
Harris-Stowe State University  
Moberly Area Community College  
Northwest Missouri State University  
St Louis Community College



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