

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1867-01
Bill No.: HB 905
Subject: Education, Higher; Fees
Type: Original
Date: April 20, 2015

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

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
University Funds	(Could exceed \$8,900,000)	(Could exceed \$17,500,000)	(Could exceed \$26,200,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$8,900,000)	(Could exceed \$17,500,000)	(Could exceed \$26,200,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(Could exceed \$10,000,000)	(Could exceed \$20,000,000)	(Could exceed \$20,000,000)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

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

Officials at the **University of Missouri** assume the exact dollar impact cannot be determined but would exceed \$1 million due to the tuition approach which would create significant challenges in the University's ability to manage fee structures and require development of an entirely new tuition and fee collection process. In addition, the requirement that a significant portion of future tuition revenues go to faculty improvement initiatives would disrupt the overall budget of the University and create additional fiscal challenges to both students and the institution.

Officials at **Lincoln University** assume this proposal will have significant financial impact on the University. In order to accommodate the fee structure as identified, the University would have to contract with external program developers to build and maintain a billing structure as complex as this. With a fee structure that allows for varying rates, it will also require additional staffing to ensure billing accuracy and customer service support. This also further complicates the financial aid packaging for students as each cohort will have a different "cost of attendance". This proposal also contains a number of criteria that will be difficult to program, again requiring external programming developers to support the ongoing monitoring of the criteria.

Officials at the **St. Louis Community College** assume the impact is unknown. It would require significant computer reprogramming and a new tracking system for students, status and credits earned.

Officials at the **State Fair Community College** assume this would require one FTE to monitor the administration. It would also result in a loss of tuition. Personnel costs and tuition loss is estimated at \$155,000 in FY 2016, \$156,700 in FY 2017 and \$158,500 in FY 2018.

ASSUMPTION (continued)

Officials at **Truman State University** assume they are not set up to charge multiple different tuition rates for different students. The number of varying tuition rates could be significant, especially if students switch back and forth between full and part time attendance. This bill would result in added administrative burden and new IT costs that are unknown at this time.

Officials at **Missouri State University** assume if enacted, this proposal would have a negative fiscal impact. If implemented, this bill would reduce tuition revenues for Missouri State University by more than \$2 million annually. Additionally, Missouri State would experience significant administrative difficulties implementing these requirements because existing accounting and computer systems are not capable of differentiating tuition in the manner this bill proscribes. At this time, it appears additional personnel would be required to hand-process new accounting protocols that comply with this bill. Accordingly, implementation costs would likely exceed \$200,000 per year.

Officials at the **Metropolitan Community College (MCC)** assume currently, the system used is not capable of locking in tuition per individual student, tuition rates are tied to the semester. MCC would need to modify their system to develop a program that would allow tuition to be tied to an individual student rather than term. There will be manual work required to track varying tuition rates and to determine a method to track students when it comes to 'continuous full time enrollment'. This would result in an overall negative impact on MCC because the tuition wouldn't change for a student over the lifetime of their degree. Therefore, the proposed legislation would result in a fiscal impact but that impact is unknown and cannot be determined at this time.

Officials at the **State Technical College of Missouri** assume this would have a negative fiscal impact if state appropriations remain the same. It would require significant staff time to make the IT changes to accommodate the anticipated record keeping requirements and additional staff is anticipated.

Oversight notes that §174.850 requires 33% of any increase in tuition rate to go to faculty improvement. Oversight assumes the colleges and universities would need to plan accordingly for the allocation of tuition funding. However, this portion of the proposal is not expected to have a direct fiscal impact on the total funding of a college or university.

Oversight notes that §174.860 locks in the amount of tuition a college or university can charge to an enrolling student. When a student enrolls, that tuition rate is locked in for the student's next five academic years. Oversight calculated a loss of tuition in the first year of \$19,244,838 (as calculated on page 5). Oversight notes this loss would continue to accumulate and compound

ASSUMPTION (continued)

as each class of students enrolls in college or a university.

Oversight received data on the number of students currently enrolled in Missouri colleges and universities from the Department of Higher Education website. There are currently 99,563 enrolled in public two year colleges (community colleges) and 153,346 enrolled in public four year universities. Oversight assumes this makes new enrollment in any one academic year 49,782 ($99,563 / 2$) for community colleges and 38,337 ($153,346 / 4$) for the four year universities.

Oversight calculated the average tuition rate for the community colleges as \$4,225 for FY2015. The community colleges have an average 5% tuition inflation rate. The four year universities have an average tuition rate of \$7,615 and a 3% average tuition inflation rate. Using this data, Oversight was able to determine the loss of tuition expected in FY 2016.

2 Year Colleges

49,782 students x \$4,225 current tuition = \$210,328,950 in tuition collected this year
49,782 students x \$4,436 next year tuition rate (add 5%) = \$220,832,952
 $\$220,832,952 - \$210,328,950 = \$10,504,002$ first year of lost tuition

4 Year Universities

38,337 students x \$7,615 current tuition = \$291,936,255 in tuition collected this year
38,337 students x \$7,843 next year tuition (add 3%) = \$300,677,091
 $\$300,677,091 - \$291,936,255 = \$8,740,836$ first year lost tuition

$\$10,504,002 + \$8,740,836 = \$19,244,838.$

Oversight assumes that as more academic years are added to the tuition “lock in”, costs will increase a similar amount per year until the proposal hits its full effect. For fiscal note purposes, Oversight will assume losses to colleges and universities of over \$18,700,000 annually, and assume this loss would increase a similar amount per year for five years for universities and two years for colleges.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
UNIVERSITY FUNDS			
<u>Costs - Universities</u>			
One-time computer upgrades	(Could exceed \$100,000)	\$0	\$0
Personnel Costs	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Total Costs - Universities</u>	(Could exceed \$200,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Loss - Universities</u>			
Tuition losses	(Could exceed \$8,700,000)	(Could exceed \$17,400,000)	(Could exceed \$26,100,000)
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	(Could exceed <u>\$8,900,000</u>)	(Could exceed <u>\$17,500,000</u>)	(Could exceed <u>\$26,200,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
COMMUNITY COLLEGE FUNDS			
<u>Loss - Community Colleges</u>			
Tuition losses	(Could exceed \$10,000,000)	(Could exceed \$20,000,000)	(Could exceed \$20,000,000)
ESTIMATED NET EFFECT ON COMMUNITY COLLEGE FUNDS	(Could exceed <u>\$10,000,000</u>)	(Could exceed <u>\$20,000,000</u>)	(Could exceed <u>\$20,000,000</u>)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

For any year in which a public higher education institution increases student tuition rates from the previous year, 33% of the increase must be designated for faculty improvement. Beginning in the 2015-2016 academic year, the tuition charged to a qualifying student cannot exceed the amount that the student was charged at the time he or she first enrolled in the qualifying

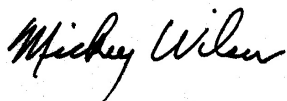
FISCAL DESCRIPTION (continued)

institution during the five continuous academic years after enrollment, excluding summer session classes. The qualifying student's tuition must remain the same for the customary amount of time required to complete the student's degree program as determined by the qualifying institution. If the qualifying student changes majors during the time period, his or her tuition must equal the amount he or she would have been assessed had he or she been admitted to the changed major program when he or she first enrolled in the institution. Undergraduates with locked-in rates who pursue a higher degree must lock in tuition rates as of the first semester of their graduate studies, and the previous undergraduate locked-in tuition no longer applies.

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
Metropolitan Community College
Missouri State University
Lincoln University
State Fair Community College
St. Louis Community College
State Technical College of Missouri
Truman State University
University of Missouri



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