

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3246H.011
 Bill No.: HB 1786
 Subject: Education, Higher; Higher Education and Workforce Development, Department of
 Type: Original
 Date: December 29, 2021

Bill Summary: This proposal modifies provisions relating to the "A+ schools program".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)
Total Estimated Net Effect on General Revenue	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)

*The fiscal impact is ranged to account for different estimates regarding the number of students that may benefit from this change (from 932 students to 2,448 students).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§160.545 – A+ Schools Program

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state paragraph 2 of subsection 8 of the legislation (§160.545, RSMo) would provide an award of up to \$500 per semester for any A+ eligible student whose reimbursement was reduced to zero due to the student receiving federal non-loan student aid. Paragraph 3 reaffirms the requirement to apply for federal aid but clarifies that aid does not have an impact on the award created in paragraph 2.

A+ is a last dollar, tuition and fee student aid program. That means A+ awards are limited to the student's actual tuition and fee cost but those awards are reduced on a dollar for dollar basis by any federal non-loan aid received by the student. Based on the information available to the department for FY 2021, 932 A+ eligible students' awards were reduced to zero because their federal non-loan student aid (primarily the Pell grant) covered the students' entire tuition and fee costs. However, this number of students has fluctuated substantially recently due to unknown factors. For example, in FY 2018, institutions reported 2,448 students received a zero award because of this requirement.

The legislation does not establish a payment priority so it is assumed the amount of this award would be reduced in proportion to any award reduction that occurs due to insufficient funds. Since the program has consistently been fully funded and the award created by this proposal can be used to cover any education related expense, it is assumed all eligible students will receive the full \$500 award for both the fall and spring semesters. Based on available data, it is assumed no students would be eligible for this award during the summer term.

Because of the fluctuation in the number of students referenced above, the cost of this proposal is estimated to range between \$932,000 (\$500 X 932 students X 2 semesters) and \$2,448,000 (\$500 X 2,448 students X 2 semesters). Because this additional award can be administered through the department's existing financial aid system (FAMOUS), it is assumed there would be no additional costs for staffing or system revisions. Since the award amount is fixed, no inflationary adjustment is needed for future years. The only impact on total cost in future years would be caused by an increase in the number of students eligible for this award, which cannot be accurately estimated with available data.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact to the General Revenue Fund provided by DHEWD, a cost range of \$932,000 to \$2,448,000 annually.

Officials from the **University of Missouri (UM)** state the proposed legislation could have a minimal negative financial impact on University of Missouri if students with need

disproportionately use federal aid dollars for a 2-year institution and reduce the aid they have available for a 4-year institution to further their education. The impact amount cannot be determined.

Officials from the **University of Central Missouri (UCM)** state the proposal would have an indeterminate fiscal cost due to the uncertainty of the application of the provisions of the proposal.

Oversight assumes UM’s and UCM’s negative fiscal impact will not be significant and will, therefore, be absorbable within current funding levels.

Officials from **Missouri State University** and **St. Charles Community College** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Costs – DHEWD (\$160.545)</u>			
Increase in A+ program awards	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)	(\$932,000 to \$2,448,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$932,000 to \$2,448,000)</u>	<u>(\$932,000 to \$2,448,000)</u>	<u>(\$932,000 to \$2,448,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<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.

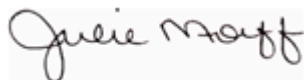
FISCAL DESCRIPTION

This bill provides a payment of up to \$500 per semester to eligible students that qualify for the A+ scholarship but use federal funds for qualified expenses rather than the A+ reimbursement.

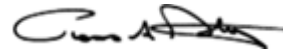
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education and Workforce Development
University of Missouri
Missouri State University
University of Central Missouri
St. Charles Community College



Julie Morff
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December 29, 2021



Ross Strobe
Assistant Director
December 29, 2021