

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5318S.01I
 Bill No.: SB 1077
 Subject: Education, Higher; Department of Labor and Industrial Relations
 Type: Original
 Date: March 18, 2022

Bill Summary: This proposal establishes provisions related to a performance funding formula for university and two-year college systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	(Could exceed \$77,814)	(Could exceed \$82,523)	\$83,878)
Total Estimated Net Effect on General Revenue	(Could exceed \$77,814)	(Could exceed \$82,523)	\$83,878)

*Oversight assumes §173.1542.7(2), which provides that grants may be made to universities with Pell Grant recipient enrollment equal to 60% or more, is appropriated by the General Assembly, the fiscal impact could easily exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Colleges and Universities	\$0 or Unknown	\$0 or Unknown	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

- 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

§§173.1542 and 173.1543 – Performance funding formula for colleges and universities

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state SB 1077 would establish an allocation formula for higher education institutions based on a number of factors, including total full-time equivalent enrollment, mean earnings of enrolled students, Pell recipients, and graduate student enrollment. The bill has similarities to legislation filed in 2021, including SB 585 and HB 1346.

The bill would have no impact on total appropriations to the institutions, as the formula only prescribes the allocation among the institutions of an amount to be otherwise determined by the Governor and legislature.

The formula weights various factors in substantially different units, e.g. median salaries vs. percentages and total enrollments. While simpler in some ways than formulas proposed in 2021, the current formula removes multipliers on differently scaled factors that made it possible to compare and weight them in previous proposals. As is, DHEWD staff do not believe the current formula is calculable without applying additional weights not specified in the statute and therefore, the DHEWD is unable to model the allocation.

DHEWD would request an FTE at the research analyst level (\$48,233 annually) to collect and analyze data required by the formula, as well as to “assist colleges with low performance scores ... [and] consult with external entities to assist colleges with performance score improvement”. The legislation also permits DHEWD to administer improvement grants to “universities with Pell grant recipient enrollment equal to sixty percent or more of the university's total enrollment”. Improvement efforts and grants would likely necessitate additional appropriations, but it's not possible to estimate impact at present. This will result in the fiscal note having an unknown total impact. DHEWD has included costs where it could.

Oversight does not have any information to the contrary. Oversight will present costs for the FTE provided by the DHEWD. Oversight assumes the DHEWD can request additional appropriations if determined necessary.

Oversight will assume higher education funding, across institutions would net to zero, with some receiving additional state funding and some receiving less state funding. However, Oversight will reflect a fiscal impact for §173.1542.7(2), which states that the state may make grants to universities with Pell Grant recipient enrollment equal to 60% or more. Oversight will assume a \$0 or Unknown amount of grants in FYs 2023 & 2024.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state this proposal would have an unknown fiscal impact on the department due to costs associated with entering into data sharing agreements. The cost is unknown since the agreement is not required under this proposal.

Oversight notes in §§173.1542.6(2) and 173.1543.6(2) DOLIR may execute data-sharing agreements with other states. Since this language is permissive, Oversight assumes no fiscal impact for DOLIR for the provisions of this proposal.

Officials from the **University of Missouri System** state this proposal would have an impact but they are unable to quantify the impact as some formula elements are not publicly available.

Officials from **Missouri State University** and the **University of Central Missouri** each state this proposal would have an indeterminate fiscal impact on their organizations.

Oversight notes the provisions of the proposal may impact individual institutions if funds are re-distributed based on formula changes. However, as total appropriations are not expected to change, the net impact to Colleges and Universities will be \$0. Therefore, Oversight will present no impact to College and University Funds for fiscal note purposes.

Officials from the **Office of the Governor**, the **Missouri House of Representatives** and the **Missouri Senate** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) 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 (§§173.1542 and 173.1543) p.3-4</u>			
Personal service	(\$40,194)	(\$49,198)	(\$50,182)
Fringe benefits	(\$25,804)	(\$31,288)	(\$31,618)
Equipment and expense	(\$11,816)	(\$2,037)	(\$2,078)
Total Costs - DHEWD	(\$77,814)	(\$82,523)	(\$83,878)
FTE Change – DHEWD	1 FTE	1 FTE	1 FTE
<u>Costs – DHEWD – §173.1542.7(2) grants to universities with Pell Grant recipient enrollment equal to 60% or more p.3-4</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Could exceed (\$77,814)</u>	<u>Could exceed (\$82,523)</u>	<u>(\$83,878)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
COLLEGES AND UNIVERSITIES			
<u>Revenues – DHEWD – §173.1542.7(2) grants to universities with Pell Grant recipient enrollment equal to 60% or more p.3</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0
ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0</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 act establishes provisions related to a performance funding formula for university and two-year college systems.

UNIVERSITY SYSTEM PERFORMANCE FUNDING

This act establishes the "University Rewarding Workforce Readiness Act."

Under this act, the Department of Higher Education and Workforce Development shall calculate a performance score for each university that is regulated by the Department. The Department shall develop a performance funding formula, as detailed in the act, which calculates a share of university funding by December 31, 2022.

The General Assembly shall determine the allocation of university system funding through a phase-in schedule, from July 1, 2023 to July 1, 2026.

The Department of Labor and Industrial Relations may execute data sharing agreements with other states and the Department of Higher Education and Workforce Development may use other means of collecting performance indicator data relevant to the performance funding formula.

TWO-YEAR COLLEGE SYSTEM PERFORMANCE FUNDING

This act establishes the "Two-Year College Rewarding Workforce Readiness Act."

Under this act, the Department of Higher Education and Workforce Development shall calculate a performance score for each two-year college that is regulated by the Department. The Department shall develop a performance funding formula, as detailed in the act, which calculates a share of college funding by December 31, 2022.

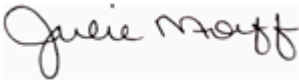
The General Assembly shall determine the allocation of college system funding through a phase-in schedule, from July 1, 2023 to July 1, 2026.

The Department of Labor and Industrial Relations may execute data sharing agreements with other states and the Department of Higher Education and Workforce Development may use other means of collecting performance indicator data relevant to the performance funding formula.

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
Department of Labor and Industrial Relations
Office of the Secretary of State
University of Missouri System
Missouri State University
University of Central Missouri
Office of the Governor
Missouri House of Representatives
Missouri Senate
Joint Committee on Administrative Rules



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March 18, 2022



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