

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5326-01
Bill No.: HB 2099
Subject: Education, Higher
Type: Original
Date: January 29, 2016

Bill Summary: This proposal prohibits public institutions of higher education in this state from requiring students to purchase meal plans or dine at on-campus facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
College & University	(Could exceed \$10,000,000)	(Could exceed \$10,000,000)	(Could exceed \$10,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$10,000,000)	(Could exceed \$10,000,000)	(Could exceed \$10,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight notes this proposal prohibits higher education institutions from requiring students to purchase meal plans or dine at on-campus facilities. Oversight notes that most institutions require students that live on campus (some required for a student's first two years) to have a dining plan. Oversight is unable to determine how many students would give up their dining plans if this proposal passed. Oversight will show the direct impact as could exceed \$10 million, the estimate provided by the institutions for the loss of dining plan payments.

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

Officials at the **University of Missouri** assume this proposal could have significant impact on all four of the campuses. It is difficult to determine an exact fiscal impact but the information below reflects the extent of the financial costs.

UMKC is in year 2 of a 5 year contract with Sodexo with a five year renewal option. The contract relies heavily on required board for residential students. A change like this could prevent any food service company from bidding on our business. Please note that UMKC's plans only cover residence halls. Those students in apartments (40% of our beds) are not required to have meal plans because they have full kitchens in their space.

UMSL is also in a contractual agreement with Sodexo. This would impact the University fiscally at the amount of \$2,038,500 over the next 5 years. This number includes the unamortized portion of the investment by Sodexo to the University, \$100,000 per year maintenance fund, \$125,000 per year renovation fund, \$45,000 per year commissions, and the \$50,000 per year student programming fund.

MU's biggest question and unknown is what percentage of students living in the residence halls would opt out of purchasing a dining plan if given that option. A conservative estimate could be 10-15%. If we assume that students would opt out in the normal distribution among the dining plans, the forecasted financial impact would be a decrease in revenue for Campus Dining Services of approximately \$1,893,788 - \$2,840,682 (2015-2016) and \$1,971,147 - \$2,956,721 (2016-2017)

Missouri S&T will take in approximately \$5.85 million in revenue from its sales of meal plans. Of this amount, 75% or \$4.45 million will be paid to our contracted dining services operator and 25% or \$1.4 million will be retained by Missouri S&T for its overhead/administrative expenses.

ASSUMPTION (continued)

Dining services overhead expenses include, operating expenses at the Missouri S&T on-campus, dining facilities located in the Havener Center, Thomas Jefferson residence hall and the University library. This revenue also funds dining services related equipment repairs or replacements, any dining services facility repairs or upgrades and administrative expenses incurred by Missouri S&T in operating its dining facilities as well as overseeing the day to day execution of its dining services contract.

If the purchase of board plans were made optional, any resulting reduction in sales of dining services would proportionally reduce the amount of revenue available to Missouri S&T to pay for the expenses associated with operating its dining facilities. What, if any, reduction of dining services agreement may result from not requiring its purchase by student living on campus cannot be forecast without additional investigation.

Officials at the **University of Central Missouri (UCM)** assume they require first and second year students living in on campus housing to be on one of the standard meal plan options. Students who have lived on campus for four semesters or who are at least classified as junior status are not required to be on a meal plan.

UCM would anticipate a decrease in both revenues and the number of students opting to pay for a full meal plan. As an example using the current 2015-2016 meal plan rates, having 10 less students on a meal plan results in an annual decrease in revenues of \$29,160; 50 students a loss of \$145,800; and 100 less students on a full meal plan would be a \$291,600 decrease in revenues annually.

UCM is contractually obligated to our dining services provider through June 30, 2019. The outside provider has invested capital improvements to several dining area buildings and locations.

Officials at the **Missouri Southern State University** assume that contractors who provide meal service to residence life facilities base their pricing on the number of students who participate in the plan. As the number of participates decline the contract price per day rises. At some point it becomes unaffordable to provide meal service if there is not a guaranteed number of participates. At this time the exact impact is unknown.

Officials at the **Missouri State University** assume a loss of \$3 million annually.

Officials at the **Missouri Western State University** assume the loss of meal plans would result in a loss of \$3,287,605 annually.

ASSUMPTION (continued)

Officials at the **Northwest Missouri State University** assume a loss of \$213,180 annually.

Officials at the **Truman State University** assume it is typical for residential campuses to have on-campus living requirements and meal plan requirements. Multiple options are available to allow students to choose a meal plan that fits their budget. Truman has \$52.3 million in outstanding bonds utilized to renovate residence halls and dining facilities. This proposal may lead the University to default on the bonds.

Officials at the **State Technical College of Missouri** assume an unknown negative impact. At this time only students who reside on campus are required to have a meal plan.

Oversight notes that the institutions express concern that current contracts with food vendors and bond payments are based on full use of their current dining plans. It is possible that if many students give up the dining plan this could have an impact on these food vendor contracts and/or bond payments. However, Oversight considers these to be indirect impacts of the proposal and will not indicate an impact in the fiscal note.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College and the Three Rivers Community College did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
COLLEGE & UNIVERSITY FUNDS			
<u>Loss - Dining plan payments</u>	(Could exceed <u>\$10,000,000</u>)	(Could exceed <u>\$10,000,000</u>)	(Could exceed <u>\$10,000,000</u>)
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	(Could exceed <u>\$10,000,000</u>)	(Could exceed <u>\$10,000,000</u>)	(Could exceed <u>\$10,000,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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 proposal prohibits public institutions of higher education from requiring students to purchase a meal plan.

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
Missouri Southern State University
Missouri State University
Missouri Western State University
Northwest Missouri State University
State Technical College of Missouri
Truman State University
University of Central Missouri
University of Missouri



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