

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5049-05
Bill No.: SCS for HB 1390
Subject: Education, Higher; Higher Education Department; Boards, Commissions, Committees, Councils; General Assembly
Type: Original
Date: April 29, 2014

Bill Summary: This proposal requires the cooperative development of a resource allocation model that incorporates performance funding for public institutions of higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$120,815)	(\$146,428)	(\$147,891)
Total Estimated Net Effect on General Revenue Fund	(\$120,815)	(\$146,428)	(\$147,891)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Higher Education Funds*			
Total Estimated Net Effect on Other State Funds*	\$0	\$0	\$0

* Increases or decreases to 4-year public colleges and universities would net out to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government*	\$0	\$0	\$0

***Increases or decreases to two-year public colleges would net out to zero.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 their office can sustain with their core budget. Therefore, 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 assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Missouri House of Representatives** and the **Missouri Senate** each assume no fiscal impact beyond existing appropriations.

Officials from the **Joint Committee on Education** state there will be no cost to their agency associated with this proposed legislation.

§161.097

Officials from the **Department of Elementary and Secondary Education** assume this proposal will result in insignificant costs for their agency.

Officials from the **Department of Higher Education (DHE)** assume the proposed legislation in this section would require the DHE to add an additional 2.0 FTE (one Senior Associate and one Research Associate I). The legislation would give the DHE significant responsibilities that could not be allocated to existing staff due to the complexity of establishing standards and procedures

ASSUMPTION (continued)

by which educator preparation programs are evaluated.

Officials from **Northwest Missouri State University** assume this proposal has the potential of decreasing costs by eliminating duplicative and/or additional processing costs which are significant to fiscal and human resources.

§173.030

With the inclusion of this section, the DHE would be required to review any institution that applies to participate in the reciprocity process and verify the institution meets the criteria for participation. The DHE would also be required to accept and resolve any complaints relating to participating institutions. The fiscal impact estimates it will require .33 FTE to adequately accomplish these tasks. The DHE current has a request for 1 FTE for review of out-of-state public institutions, which could be partially reassigned to this function if it is approved as part of the budget process. The bill also authorizes the DHE to charge fees for approval of institutional participation. It is assumed the fee would be \$300 annual per institution and that 50 institutions will participate in the reciprocity process.

Oversight assumes fees will offset the costs associated with the review and evaluation of applications. It is not known how many institutions of higher education will participate in the reciprocal agreement; therefore, Oversight, for fiscal note purposes only, will assign an offsetting fiscal impact of Up to \$15,000 per year.

§173.1540

Officials from the DHE state an assumption of no fiscal impact is based on the fact that this is solely a distribution or allocation model and does not imply or require a specific level of funding. Its only purpose is to distribute the new funds provided through the appropriation process to each institution. Although some staff time will be required to comply, most of the primary development and implementation tasks have already been completed.

Officials from the **University of Central Missouri (UCM)** provided the following response:

Although UCM supports the performance funding concept, UCM believes there would be a negative financial impact on their institution if there is no provision which would take into account funds previously assigned to an institution based on an approved specific mission, provided that mission is still in effect.

ASSUMPTION (continued)

With regard to the adoption of performance measures, there could be a negative fiscal impact on UCM if the measures and/or the methods of assessments that are adopted increase the chances of institutions receiving funds on most if not all elements, whether it is "deserved" or not. For example, improvement is always good but may not warrant performance funding if the performance does not meet some minimal level. Going from a 19% six-year graduation rate to a 20% rate is improvement but not necessarily deserving of performance funding. In contrast, another university that has a 55%, six-year graduation rate, but slips to 54%, may lose performance funding even though its six-year graduation rate is far superior.

Officials from **Missouri Western State University** assume there is a potential loss in revenue on the basis of failure to meet performance standards. Based on past allocations, losses in appropriation as a result of missed standards could be between \$200,000 and \$400,000 per missed performance standard annually.

Officials from **Missouri State University** assume this proposed legislation would have a fiscal impact on their institution, but the extent cannot be quantified at this time.

Officials from **Linn State Technical College** state the fiscal impact is unknown.

Officials from **Kansas City Metropolitan Community College** assume the bill could have a significant but unknown impact on their college.

Officials from **St. Louis Community College** assume no fiscal impact.

Officials from the **University of Missouri System (UM System)** assume the proposed legislation could have a positive impact on the UM System, but it will depend on the structure of the formula.

Oversight assumes the proposal could affect public colleges and universities with the proposed re-allocation of funding. Although the amount of funding as a whole would not change, individual institutions could see either an increase, decrease, or no change in funding depending on the allocation of funding described in the proposal.

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College, and

ASSUMPTION (continued)

Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Income</u> - Department of Higher Education (DHE) - Participation fees (\$171.030)	Up to \$15,000	Up to \$15,000	Up to \$15,000
<u>Costs</u> - DHE - Review and evaluation of applications (\$171.030)	(Up to \$15,000)	(Up to \$15,000)	(Up to \$15,000)
<u>Costs</u> - DHE - Teacher preparation oversight (\$161.097)			
Personal Services (2 FTE)	(\$80,007)	(\$96,969)	(\$97,938)
Fringe Benefits	(\$40,408)	(\$49,459)	(\$49,953)
Total Costs DHE	<u>(\$120,815)</u>	<u>(\$146,428)</u>	<u>(\$147,891)</u>
FTE Change - DHE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$120,815)</u>	<u>(\$146,428)</u>	<u>(\$147,891)</u>
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE

FISCAL DESCRIPTION

This proposed legislation modifies provisions relating to the authorization for funding and administrative processes in higher education.

§§161.097 & 173.005 - EVALUATION AUTHORITY OF TEACHER TRAINING INSTITUTIONS & MISSOURI ADVISORY BOARD FOR EDUCATOR PREPARATION (MABEP)

Currently, the State Board of Education (SBE) has authority establish standards and procedures for the evaluation of teacher training institutions. This act grants the Coordinating Board for Higher Education (CBE) joint authority with the State Board of Education with the guidance and approval of the Missouri Advisory Board for Educator Preparation. Current actions regarding state educator certification, assessments, and other measures regarding educator certification done by the State Board must be approved jointly with the CBE.

The proposal establishes the "Missouri Advisory Board for Educator Preparation" (MABEP) within the Department of Elementary and Secondary Education to advise the State Board of Education and the CBE.

MABEP has the following duties and responsibilities: to meet with the two commissioners to discuss policy issues and proposed changes to standards and practices related to educator preparation programs; make recommendations to the two commissioners regarding criteria and procedures for evaluation and approval of educator degree programs and educator preparation programs; facilitate communication amongst educator preparation experts and constituencies; present annually to the State Board of Education and the CBE; and maintain a record of deliberations.

The State Board of Education is prohibited from approving any teacher education program prior to receiving a formal recommendation on that approval from the CBE.

The CBE has joint approval authority with the SBE for proposed new degree programs offered by state institutions of higher education in the case of educator preparation programs.

§§173.030 & 174.450 - INTERSTATE RECIPROCITY FOR THE DELIVERY OF POSTSECONDARY DISTANCE EDUCATION

This proposal grants the CBE the responsibility to enter into agreements for interstate reciprocity regarding the delivery of postsecondary distance education. The CBE will have responsibility for approving or disapproving applications from postsecondary education institutions with their

FISCAL DESCRIPTION (continued)

principal campus located in Missouri to participate in such agreements.

The CBE must establish standards for institutional approval, including the following: a definition of physical presence for non-Missouri institutions serving Missouri residents consistent with other states' definition of physical presence; establishment of consumer protection policies for distance education addressing recruitment, marketing activities, disclosure of tuition, fees, admission processes and procedures; and student complaints. The CBE must establish policies for the review and resolution of student complaints.

The CBE may charge fees to any institution that applies to participate in an interstate reciprocity agreement. Fees cannot exceed the Coordinating Board's cost of reviewing and evaluation of the applications.

§173.1540 - FOUR-YEAR INSTITUTIONS

This section establishes parameters for how annual increases in appropriations are distributed through the increase allocation model. Unless otherwise provided by the General Assembly during the appropriations process, no more than ten percent of any increase in core appropriations will be distributed to address inequitable state funding on a per student basis, as determined by calculating full-time equivalency or on such bases as determined by the DHE and institutions. Any inequity that results from performance funding measures must not be considered when distributing funds to address inequitable state funding. Unless otherwise provided by the General Assembly during the appropriations process, no more than ten percent of any increase in core appropriations will be distributed based on weighted full-time equivalent credit hours so as to provide enrollment, program offering, and mission sensitivity on an ongoing basis. Unless otherwise provided by the General Assembly during the appropriations process, at least ninety percent of the increase will be distributed based on the institutional performance measures.

The DHE must evaluate the increase allocation model's effectiveness and submit a report to the Governor, the Joint Committee on Education, the President Pro Tem of the Senate, and the Speaker of the House of Representatives by October 31, 2019 and every four years thereafter.

§178.638 - STATE TECHNICAL COLLEGE OF MISSOURI

Unless the General Assembly chooses to otherwise appropriate state funding, beginning in fiscal year 2016, at least ninety percent of any annual increase in core funding over the previous year will be distributed in accordance with the institutional performance measures.

LMD:LR:OD

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

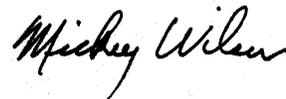
§163.191 - COMMUNITY COLLEGES

Unless the General Assembly chooses to otherwise appropriate state funding, beginning in fiscal year 2016, at least ninety percent of an increase in core funding over the appropriated amount for the previous fiscal year must be distributed in accordance with the achievement of institutional performance measures.

The DHE is responsible for evaluating the effectiveness of the community college resource allocation model and submit a report to the Governor, the Joint Committee on Education, the Speaker of the House of Representatives, and the President Pro Tem of the Senate by October 31, 2019.

SOURCES OF INFORMATION

Department of Higher Education
Joint Committee on Education
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Missouri Senate
Missouri House of Representatives
Colleges and Universities
 University of Missouri System
 Missouri Western State University
 Missouri State University
 University of Central Missouri
 Linn State Technical College
 Kansas City Metropolitan Community College
 St. Louis Community College



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