



[HF 2558](#) – Higher Education Omnibus (LSB5335HV.1)
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Fiscal Note Version – As amended and passed by the House

Description

[House File 2558](#) makes changes to the diversity, equity, and inclusion (DEI) policies, tuition, and administrator hiring at State universities; makes changes to the membership of the State Board of Regents; and instructs the State universities and community colleges to establish student-employer work and tuition programs. **Figure 3**, at the end of this **Fiscal Note**, summarizes the fiscal impacts of the Bill.

Division I — Short Title

Description

Division I establishes the title of this Bill as the “Higher Education Reform Act of 2024.”

Fiscal Impact

Division I is not estimated to have a fiscal impact.

Division II — Community Colleges

Description

Division II requires that the community colleges establish a program that would allow a student to work part-time for a registered employer while pursuing an associate’s degree and establishes program requirements. This program is to be established on or before December 31, 2024.

In addition, the community colleges are also to adopt policies and procedures that require the community college to follow State law regardless of rules or directives of any accrediting agency and that grant the president of a college the ability to initiate tenure review.

Fiscal Impact

The fiscal impact of Division II cannot be determined. According to the community colleges, the process, involvement, and scope of creating a work-study program is unknown.

Division III — State Board of Regents

Description

Division III makes changes to the members of the Board. The Bill adds two ex officio, nonvoting members of the General Assembly to the current Board, expanding the Board to 11 total members. The President of the Board is nominated by the Board every even-numbered year and subject to confirmation by the Senate. Voting member terms are adjusted from six to four years, and the number of required yearly Board meetings decreased from six to four per year. The Bill makes conforming changes.

Fiscal Impact

Division III is not estimated to have a fiscal impact.

Division IV — Institutions of Higher Education Governed by the State Board of Regents

Description

Division IV makes changes to the process for the election of a president at an institution of higher learning under the Board requiring the use of a presidential selection committee to provide candidate recommendations and select a new president. The identities of candidates for president considered by the presidential selection committee are to be confidential and not subject to public disclosure, unless agreed to by all members of the presidential selection committee.

The Bill adopts the following provisions related to tuition:

- Requires an institution of higher education under the Board to adopt rules providing that the institution may not increase the total amount of resident tuition and mandatory fees associated with a baccalaureate program by more than 3.0% over the proceeding academic year without approval by the Legislative Council.
- Prohibits an increase in the amount of tuition and mandatory fees charged by an institution of higher education under the Board's control during the first four full academic years of participation in the undergraduate program by a student who began the program during the 2024-2025 academic year. The Bill prorates the tuition freeze length if the student had attained undergraduate credits prior to admission.

The Bill makes the following program changes:

- Requires that each institution under the control of the Board establish a program, prior to the beginning of the 2025-2026 academic year, that would allow a student to work part-time for a registered employer while pursuing a baccalaureate degree. This program would require the employer to pay for all of the student's tuition and mandatory fees for the semesters the student is enrolled in the program, in addition to an hourly wage not less than the federal or State minimum wage, in exchange for the student working at least one calendar year for an employer.
- Requires the Regents to accept the [Classic Learning Test](#), developed by Classic Learning Initiatives, when considering admissions.
- Directs the institutions of higher education to develop a curriculum and materials related to an American history and civics course and to adopt policies requiring all undergraduate students admitted on or after the 2024-2025 academic year to complete a three-credit-hour course developed to this subject.
- Requires the institutions of higher education are also required to adopt policies and procedures that would grant the president of a college the ability to initiate tenure review, as well as policies that focus the college's strategic plan on degree programs that lead to employment in high-demand fields.
- Requires the Board to prohibit any institution of higher education under its control from allowing any Confucius Institute or any other education institute funded by the People's Republic of China from operating on any property owned by the institution.
- Requires institutions to adopt policies and procedures prohibiting any faculty senate committee from having governance authority over the institution.
- Requires that each institution governed by the Board, prior to the November 2024 Board meeting, develop a proposed baccalaureate degree program that requires no more than 90 semester hours of classroom work.

- Requires each institution of higher education under the Board, prior to the November 2024 Board meeting, to develop a proposal related to the establishment of a center, institute, or initiative that is dedicated to expanding opportunities for education and research concerning freedom of speech and civic education.

The Bill adopts the following requirements related to DEI:

- Requires the elimination of any DEI function that is not necessary for compliance with federal or State laws or accreditation. The institutions of higher education are to make the support services that were provided by such offices broadly available to all students and faculty.
- Requires that institutions of higher education review the services provided by offices that support diversity or multicultural affairs to ensure that services are available to all students and that conforming updates are made to promotional and informational materials. The Bill prohibits an employee, student, applicant, or campus visitor from being required to submit a DEI statement or be evaluated based on participation in a DEI initiative. The Bill also requires each institution to adopt a policy that prohibits the consideration of race and other protected class characteristics during the admissions process and to provide guidance for employees on the separation of personal political advocacy from the employee’s regular duties and the business of the institution.

The Bill adopts the following reporting requirements:

- Each institution is required to submit a report on or before December 31, 2024, that includes a review of all DEI-related positions and job responsibilities.
- Prior to the November 2024 Board meeting, each institution is required to conduct a comprehensive study related to reducing institutional costs, maintaining close to current levels of tuition and mandatory fees, and maintaining noninstructional costs below 10.0% of the institution’s annual budget.
- Prior to the November 2024 Board meeting, each institution is required to develop a proposal related to the establishment of a center or institute that is dedicated to expanding opportunities for education and research concerning freedom of speech and civic education.

Background

The Board reviews proposed tuition rate increases each June for the upcoming fall semester. The 2019-2020 and 2020-2021 academic years (AY) did not include any tuition or mandatory fee increases due to the ongoing COVID-19 pandemic. **Figure 1** shows the combined tuition and mandatory fees charged from AY 2020-2021 to AY 2023-2024.

Figure 1 — Undergraduate Tuition and Mandatory Fee Rates AY 2020-2024

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
University of Iowa	\$ 9,605.5	\$ 9,942.0	\$ 10,353.0	\$ 10,964.0
Iowa State University	9,315.9	9,633.9	10,132.9	10,496.9
University of Northern Iowa	<u>8,938.0</u>	<u>9,053.0</u>	<u>9,411.0</u>	<u>9,728.0</u>
Average Tuition & Fees Cost	\$ 9,286.5	\$ 9,543.0	\$ 9,965.6	\$ 10,396.3
Average % Change	-	2.76%	4.43%	4.32%

[Senate File 560](#) (2023 Education Appropriations Act), Division V, required the Board to conduct a study of the DEI efforts at each university and implemented a hiring freeze until June 30, 2024. The report was reviewed by the full Board during the November 15-16, 2023, meeting. The full report and recommendations can be found [here](#), and a **Fiscal Update Article** completed by the Legislative Services Agency can be found [here](#). The Board voted to adopt all

10 recommendations provided in the report and is in the process of implementing those recommendations through task forces created at each university. The report outlined all positions currently engaged in DEI-related activities along with their salary, benefits, and percent effort in DEI activities.

Assumptions

- Tuition revenue and State appropriations support the operating costs for the Regents institutions of higher education.
- The following assumptions were made in the calculation of the impact of the undergraduate tuition freeze as seen in **Figure 2**:
 - The calculations show the estimated revenue generated from a single freshman class in fall 2020 and add a new freshman class each year until fall 2023, when there would be four years of progressing students.
 - The calculations assume that all students pay the full tuition rate, which does not account for any tuition or other price discounts that may be available to students.
 - The calculations do not account for transfer students or high school students who may be admitted with earned college credit hours.
 - Dropout numbers and four-year degree completion numbers are not included in this calculation. Students who continue into a fifth year of an undergraduate program would have their tuition rates reset to the current year.
 - Future tuition increases are assumed to match the average rate increase of 3.6% per year in **Figure 1**.
 - Based on **Figure 2**, the average tuition and mandatory fees across all three universities could increase from \$9,000 to \$11,000.
- The Board estimates that each university would need to establish at least 75 company agreements required for the work-study program.
- Iowa State University estimates that organizing the work-study agreements would require 1.0 full-time equivalent (FTE) coordinator position estimated at \$100,000 per year, and an additional \$100,000 in legal support communications and miscellaneous expenses per year. This \$200,000 estimate will be applied to all three Regents universities.
- Creating new courses requires research and development. Faculty creating new courses are generally compensated for one month (one ninth) of their annual salary. The average salary for a tenure track faculty member is estimated to be \$90,000, so the cost for one faculty member to create a new course would be \$10,000.
- There are no known Confucius Institutes or educational institutes funded by the People's Republic of China currently located on any property owned by an institution of higher education under the control of the Board.

Fiscal Impacts Related to Tuition

The fiscal impact of limiting tuition and mandatory fee increases to 3.0% cannot be determined.

Division IV also requires a new four-year tuition freeze for all new undergraduate resident students. Due to many variables, a fiscal impact going forward cannot be estimated. The Board's Fall 2022 Graduation and Retention Report shows a second-year student retention rate of 86.0%, a four-year graduation rate of 56.0%, and a six-year graduation rate of 71.0%. This report can be found [here](#).

Figure 2 provides an example showing total revenues received by the three Regents universities compared to the impact of this provision during the same time period.

Figure 2 — Impact of Undergraduate Tuition Freeze on Revenue AY 2020-2023

Current Tuition and Fee Collection AY 2020-2023 (in Millions)					
	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Total
University of Iowa	\$ 25.0	\$ 52.7	\$ 83.7	\$ 117.8	\$ 279.2
Iowa State University	28.4	58.2	91.5	127.5	305.7
University of Northern Iowa	12.0	24.8	38.2	53.0	128.0
Total Revenue Collected	\$ 65.4	\$ 135.8	\$ 213.4	\$ 298.3	\$ 712.8

Tuition and Fee Collection Under HF 2558 AY 2020-2023 (in Millions)					
	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Total
University of Iowa	\$ 25.0	\$ 51.9	\$ 80.6	\$ 109.8	\$ 267.3
Iowa State University	28.4	57.2	87.6	120.2	293.4
University of Northern Iowa	12.0	24.7	37.0	50.6	124.3
Total Revenue Collected	\$ 65.4	\$ 133.8	\$ 205.2	\$ 280.6	\$ 685.0

Fiscal Impacts Related to New Program Requirements

- The creation and implementation of a work-study program as directed by the Bill would require 3.0 new FTE positions and a total estimated cost of \$600,000 per year across all three universities.
- The creation of an American history or civics curriculum and materials is estimated to be \$10,000 per university, or \$30,000 total.
- The cost to create a 90-credit-hour baccalaureate program is unknown but significant. Additionally, the new program would be required to receive accreditation prior to being implemented.

Fiscal Impacts Related to DEI

The following fiscal impacts are related to DEI:

- The fiscal impact of the elimination of DEI positions is unknown. The Bill also expands the services provided by these DEI departments to all students, which may require additional FTE positions or resources.
- The cost of the requirement of a new annual DEI positions and job responsibilities report is assumed to be absorbed by current staff and funding.

Fiscal Impacts Related to Reporting Requirements

The comprehensive study on the reduction of costs may require the Board to work with an external company to conduct the study due to time constraints to complete prior to November 2024. Based on similar studies, the Board estimates this study would require two or more years to complete. The Board estimates a cost of between \$250,000 and \$500,000 across all three universities. If the report is completed by an outside consultant, the cost could be as high as \$3.0 million due to the report’s November 2024 deadline.

Division IV Total Fiscal Impact

- The total fiscal impact of implementing Division IV is 3.0 new FTE positions and a cost to the Board estimated between \$850,000 and \$3.6 million depending on how the comprehensive study on the reduction of costs is implemented.
- The impact of the elimination of DEI-related positions and the expansion of serviced students and faculty is unknown.

- The impact of the four-year tuition freeze for all new resident undergraduate students is unknown, but the freeze is expected to have a negative fiscal impact on the universities' revenues.
- The creation of an American history or civics curriculum and materials is estimated to be \$10,000 per university, or \$30,000 total.

Division V — Closure of Private Institutions of Higher Education

Description

Division V requires that accredited private institutions of higher education provide notice to the Department of Education immediately after the governing board of the institution votes to close the institution. The governing board is also required to provide a report within five days to the Department of Education with additional information on the closure.

Fiscal Impact

Division V is not estimated to have a fiscal impact.

Summary of HF 2558 Fiscal Impact

Figure 3 includes a summary of the fiscal impacts for each division of the Bill:

Figure 3 — Estimated Summary of Fiscal Impacts for HF 2558

Division	Fiscal Impact
I	No fiscal impact.
II	The fiscal impact cannot be determined.
III	No fiscal impact.
IV	<ul style="list-style-type: none"> • The total fiscal impact is 3.0 new FTE positions and a cost to the Board estimated between \$850,000 and \$3.6 million depending on how the comprehensive study on the reduction of costs is implemented. • The cost of creating a new American history and civics course is estimated to be \$30,000. • The impact of the elimination of DEI-related positions and the expansion of serviced students and faculty is unknown. • The impact of the four-year tuition freeze for all new resident undergraduate students is unknown, but the freeze is expected to have a negative fiscal impact on the universities' revenues.
V	No fiscal impact.

Sources

State Board of Regents
 Association of Community College Trustees
 Legislative Services Agency calculations

/s/ Jennifer Acton

March 7, 2024

Doc ID 1447564

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.