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[SF 2361](#) – Student Debt Reduction (LSB5982SV)

Analyst: Robin Madison (515.281.5270) [robin.madison@legis.iowa.gov](mailto:robin.madison@legis.iowa.gov)

Fiscal Note Version – New

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### **Description**

[Senate File 2361](#) requires that undergraduate students enrolled at the State universities who will graduate on or after July 1, 2019, complete a one-credit-hour financial literacy course prior to graduation.

The Bill requires that the Board of Regents develop and implement a policy to provide certain information to each undergraduate student who has declared an intention to pursue a degree program at a State university. The information must be provided annually and be based on the most recent available data regarding graduates of the selected degree program, including:

- The employment rate of program graduates one year after graduation.
- The percentage of graduates who entered a postgraduate degree program within one year of graduation.
- The average starting salary of program graduates.
- The average student debt upon graduation for graduates completing the program.

The Bill also requires the Board of Regents to develop and implement a policy to provide undergraduate students enrolled in degree programs with information that would facilitate the students' ability to complete their selected programs in three academic years.

### **Background**

The State universities are accredited by the Higher Learning Commission (HLC). Under the HLC's accreditation requirements, the credit-bearing financial literacy course must be taught by faculty with a master's degree in a relevant field, such as business administration.

All three State universities currently require all incoming students, including transfers, to participate in programming that includes financial literacy. At the University of Iowa and Iowa State University, the program is mostly online. The University of Northern Iowa's program combines online and face-to-face components. None of the programs are credit-bearing.

### **Assumptions**

**Financial Literacy Course** — Because [SF 2361](#) requires that all undergraduate students graduating on or after July 1, 2019, take the financial literacy course, the universities would need to offer the course to both freshmen and seniors for the first three years. After that, the course would be offered to incoming freshmen only. Approximately 14,000 freshmen would be required to take the course each year. In each of the first three years, an additional 14,000 seniors would be required to take the course.

An additional 73 qualified instructors would be required to teach the course across the three universities on an ongoing basis, at an annual cost of \$50,000 per instructor for salaries and benefits, or a total of approximately \$3.7 million. For the first three years, the cost would be doubled (\$7.3 million) due to providing the course to graduating seniors.

The three universities would have additional program administration costs related to the financial literacy course. In the first year, the one-time cost of curriculum development is estimated to be \$50,000. Initial faculty hiring and development in the first year is estimated to cost \$300,000. Faculty hiring and development costs are estimated to be \$100,000 annually in subsequent years. In addition, the universities would have ongoing annual costs of \$25,000 for evaluation and assessment and \$175,000 for facilities and other costs. Total program administration costs would be \$550,000 in FY 2019 and \$300,000 annually in subsequent years.

Most students would take the course as part of the semester course load covered by the standard tuition rate and would not pay additional tuition. Approximately 450 part-time students annually would pay for the additional credit hour, at a rate of \$318 per credit hour or a total of \$143,000 in additional revenue.

**Table 1** below summarizes the estimated cost to the three universities for the one-credit-hour financial literacy course:

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Salaries and Benefits	\$ 7,300,000	\$ 7,300,000	\$ 7,300,000	\$ 3,700,000	\$ 3,700,000
Curriculum Development	50,000	0	0	0	0
Faculty Hiring and Development	300,000	100,000	100,000	100,000	100,000
Evaluation and Assessment	25,000	25,000	25,000	25,000	25,000
Facilities and Other Costs	175,000	175,000	175,000	175,000	175,000
Part-Time Student Tuition	-143,000	-143,000	-143,000	-143,000	-143,000
Total	<u>\$ 7,707,000</u>	<u>\$ 7,457,000</u>	<u>\$ 7,457,000</u>	<u>\$ 3,857,000</u>	<u>\$ 3,857,000</u>

**Employment and Student Debt Information** — The cost of this provision would depend, in part, on the policy developed and implemented by the Board of Regents. The information required to be disseminated is already available but would need to be analyzed and updated more frequently. This work could result in shifting staff away from current responsibilities in the areas of institutional research, communications, academic affairs, career services, and financial aid.

**Three-Year Completion Information** — The Board of Regents does not anticipate additional costs related to this provision of the Bill. Advisors would receive training to ensure that students are provided with the required information.

### **Fiscal Impact**

[Senate File 2361](#) is estimated to cost the three State universities a total of \$7.7 million in FY 2019, \$7.5 million annually in FY 2020 and FY 2021, and \$3.7 million annually in subsequent years. The estimate does not include adjustments for inflation. The estimate does not include costs associated with staff time to provide the employment and student debt information required in the Bill. These costs cannot be estimated without additional information.

**Source**

Board of Regents

/s/ Holly M. Lyons

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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.

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