



Tab 19

FY 2022 Department Operating and Student Financial Aid Budget Recommendations

Coordinating Board for Higher Education
September 16, 2020

DESCRIPTION

Staff recommendations for the FY 2022 internal operating appropriation request for the Department of Higher Education and Workforce Development and the state student financial assistance programs are included in this agenda item.

Coordination

Administration

FY 2021 Core Appropriation	\$2,962,939	(46.03 FTE)
FY 2022 Core Request	\$2,962,939	(46.03 FTE)

The Missouri Department of Higher Education and Workforce Development seeks to implement the vision of the Coordinating Board to empower every Missourian “with the skills and education needed for success.” This is accomplished by partnering with the state system of higher education through the public institutions, the independent colleges and universities and proprietary schools, to serve the approximately 340,000 students enrolled in that system. In addition, the department works with a variety of partners, both direct and indirect, to strengthen the state’s workforce development system. Primary responsibilities include statewide planning for postsecondary education, submission of a unified annual budget request, approval/review of new degree programs, and the administration of the proprietary school certification program, state student financial assistance programs, the Federal Family Education Loan Program and the Office of Workforce Development.

This appropriation includes the Quality Improvement Revolving Fund that allows the collection of revenue on a cost-recovery basis from workshops and conferences sponsored by MDHE to be used to support future workshops and conferences. The fund may also be used for distribution of certain federal money to institutions.

In FY 2021, there was a veto of \$798 for a mileage increase as well as a veto of \$54,335 for a new decision item for the Dual Credit Certification Fund cost to implement legislation. In addition, the FY 2021 budget included \$185,380 in expenditure restrictions. Those restrictions are not core reductions but are important to note.

Governor’s Emergency Education Relief Funds

FY 2021 Core Appropriation	\$23,643,000	(0 FTE)
FY 2022 Core Request	\$0	(0 FTE)

As a part of the CARES Act, Missouri received a grant from the U.S. Department of Education’s Governor’s Emergency Education Relief Fund totaling \$54,643,115. This amount was divided between the Department of Elementary and Secondary Education (DESE) and the Department of Higher Education and Workforce Development (DHEWD). DHEWD was appropriated \$23,643,000 of this award and the Governor has chosen to pass these funds to Missouri’s public institutions of higher education. Technically, funds under this program remain available for obligation through September 2022. However, the department expects this entire amount to be paid to institutions by the end of FY 2021. If it appears additional spending authority may be needed in FY 2022, DHEWD will pursue a Governor’s budget amendment to add additional spending authority.

The U.S. Congress and the Trump Administration are engaged in discussions on a fourth coronavirus relief package. In Congress, each legislative body has introduced their own proposal. The House majority introduced

and passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act in May. The HEROES Act creates a \$90 billion State Fiscal Stabilization Fund in which approximately \$27 billion must go to support public institutions of higher education and their students. In addition, approximately \$4 billion is provided to governors for discretionary, educational purposes.

In July, the Senate majority introduced the Health, Economic Assistance, Liability Protection, and Schools (HEALS) Act which would provide an additional \$29 billion for higher education through the Higher Education Emergency Relief Fund established under the CARES Act. An additional \$5 billion would be provided to governors for educational purposes through the Governor Emergency Education Relief Fund which was also created through the CARES Act.

To note, on August 8, the Trump Administration released four executive orders pertaining to student loan payment relief, lost wage assistance, payroll tax deferral, and evictions and foreclosures. At this time, the impact these executive orders will have on a new coronavirus relief package is unclear.

Proprietary Schools Certification Fund

FY 2021 Core Appropriation	\$318,335	(5.0 FTE)
FY 2022 Core Request	\$318,335	(5.0 FTE)

A key responsibility of MDHE is to certify and monitor proprietary schools, including private out-of-state institutions that offer instruction, grant degrees or certificates, or recruit students in Missouri. The Proprietary School Certification Fund was created in HB 1042 (2012) as a fund into which fees collected from certified schools and those seeking certification or exemption are deposited. Proprietary School Certification administration expenses are paid from the Proprietary School Certification Fund.

Proprietary School Bond Fund

FY 2021 Core Appropriation	\$400,000
FY 2022 Core Request	\$400,000
FY 2021 One-time Supplemental Transfer	\$152,841

Section 173.612, RSMo, requires each proprietary school to file a security deposit with MDHE covering the school and its agents in order to indemnify any student, enrollee, parent, guardian or sponsor of a student or enrollee who suffers loss or damage because of certain actions of the school or for failure to deposit student records in an acceptable manner upon school closure. MDHE holds a security deposit from each proprietary school with a minimum of \$5,000 and maximum of \$100,000. This appropriation is necessary to ensure the use of those monies for indemnification purposes in cases of malfeasance by a proprietary school.

At the end of FY 2021, there will be a balance of \$152,841 left over in the fund after all student damages were paid. Current appropriation language provides for indemnifying individuals due to improper actions of proprietary schools but fails to include a line for transfer of remaining monies to the Proprietary School Certification Fund. The NDI is the transfer authority necessary to move these funds to the program administration line in order to ensure the security and long-term retention of student transcripts abandoned by institutions upon closure. The transferred funds will be used to facilitate the retrieval and digitization process and to implement an online portal through which students may request official documents.

Program Distributions

Midwest Higher Education Compact

FY 2021 Core Appropriation	\$115,000
FY 2022 Core Request	\$115,000

Section 173.700, RSMo, authorizes Missouri's membership in the Midwestern Higher Education Compact and names the Coordinating Board as the administrative agent. All of Missouri's public two-year and four-year institutions and numerous independent institutions use the services of MHEC, and some cost savings programs are also available to K-12 school districts. As a member, Missouri participates in the Midwest Student Exchange Program. This program allows Missouri residents to enroll at participating public out-of-state institutions at 150 percent of the in-state resident student tuition rates. Private institutions offer a 10 percent reduction on their tuition rates. Other cost-saving programs are available for property insurance, technology initiatives, student health insurance, state authorization reciprocity and pharmacy benefits. Missouri, one of the original founding states of MHEC, has realized over \$136 million in savings since 1991. For academic year 2018-2019, Missouri institutions saved over \$16 million dollars as a result of MHEC membership.

Federal and Donated Funds

FY 2021 Core Appropriation	\$1,000,000
FY 2021 Supplemental	\$5,000,000
FY 2022 Core Request	\$1,000,000
FY 2022 New Decision Item	\$10,000,000

This appropriation provides DHEWD with spending authority for federal grants received by the agency. Continuation of this appropriation at the current level would allow for prompt spending of any potential grants awarded during fiscal year 2022.

The supplemental and NDI requests are for the Reimagining Workforce Preparation Grant, a CARES Act grant DHEWD is pursuing. This multi-year grant request is for a total of \$20 million to serve over 4,000 Missourians (targeting dislocated workers). The State Workforce Development Board must be the applicant and has chosen to partner with three sub-recipients:

- MCCA to offer healthcare training (patient care technician, certified nursing assistant, community health worker, and medical billing & coding)
- MU Extension to offer leadership and entrepreneurial courses
- Lincoln University (in partnership with Harris Stowe State University) to offer public safety and cyber security courses.

Award announcements are anticipated in October. This grant will focus on distance learning, lifelong learning, and services in opportunity zone regions.

Donated and Other Funds

FY 2021 Core Appropriation	\$1,000,000
FY 2022 Core Request	\$1,000,000

This appropriation provides DHEWD with spending authority for non-federal grants and donations received. Continuation of this appropriation at the current level would allow for timely spending of any potential grants awarded during fiscal year 2022. In FY 2021, the department is using this authority to accept and expend grant funds for outreach efforts for the Fast Track program. No administrative funding was provided for the program by the General Assembly in FY 2020 or FY 2021 but the department was able to request funding from MOHELA for a statewide outreach campaign in both fiscal years.

Student Financial Assistance

The department has identified additional needs in core and core transfer appropriations for several of the scholarship programs it administers.

Over three previous fiscal years (FY 2018 through FY 2020), a total of \$43.5 million of the Guarantee Agency Operating Fund (GAOF) was used to supplant General Revenue (GR) funding for these programs. For FY 2021, because of the long-term negative impact of ongoing appropriations at this level from that fund, the DHEWD sought a final “fund switch” of \$10 million (\$3.5 million in Bright Flight and \$6.5 million in Access Missouri) from the GAOF back to General Revenue. However, due to the COVID pandemic and its effect on state revenues, the full GR pickup was not appropriated, resulting in a core reduction for these programs.

Academic Scholarship Program (Bright Flight)

FY 2021 Core Transfer Appropriation	\$20,176,666
FY 2021 Supplemental Request	\$10,100,000
FY 2022 Core Transfer Request	\$20,176,666
FY 2022 Requested Increase	\$3,900,000

The Missouri Higher Education Academic Scholarship Program (commonly known as Bright Flight) provides scholarships to students who, as high school seniors, have a composite score in the top five percent of all Missouri students taking the ACT or the SAT. The maximum scholarship award is \$3,000 per academic year for students in the top three percent of test takers, and \$1,000 for students in the top 4th and 5th percentiles. The top three percent must receive a full award (\$3,000) before students in the top 4th and 5th percentiles receive any award. Scholarships are renewable until the first bachelor’s degree is received or ten semesters are attended, whichever occurs first.

For FY 2021, DHEWD staff are requesting a supplemental appropriation of \$10.1 million. As a result of reduced funding, including a \$6.5 million spending restriction, award amounts for top three percent of test takers have been reduced from \$3,000 in FY 2020 to \$1,800 in FY 2021. Although the spending restriction is not a core reduction, it is important to note and does have a substantial impact on program operation. This supplemental request would restore the program to the funding level necessary to reach the statutory maximum (\$3,000) award for the more than 7,000 students impacted by the reduction.

For FY 2022, staff are requesting an increase of \$3.9 million. This increase would replace the reduction in FY 2021 when funding from the Gurantee Agency Operating Fund was eliminated and not replaced with General Revenue. An additional \$400,000 will also be needed to cover expected growth in the number of students in the top tier to receive the full \$3,000 award amount. This growth reflects the fact that more high school students are taking the ACT/SAT and additional funding is needed to keep pace with this expansion. Awards for students in the top 4th and 5th percentiles will remain at zero.

Access Missouri Financial Assistance Program

FY 2021 Core Transfer Appropriation	\$63,921,052
FY 2022 Core Transfer Request	\$63,921,052
FY 2022 Requested Increase	\$4,200,000

The Access Missouri Financial Assistance Program provides assistance to students who demonstrate financial need based on an annual evaluation of the applicant's federally calculated expected family contribution (EFC), and meet the other statutory eligibility requirements for this grant. Access Missouri is the state's primary need-based student assistance program. The statutory maximum award for students attending public two-year institutions is \$1,300 and the maximum award for students attending all other types of eligible institutions is \$2,850. The Free Application for Federal Student Aid (FAFSA) serves as the only application for this program. Because this program has not been fully-funded for a decade, actual maximum awards are less than the statutory maximums. For FY 2021, award levels are set at 70 percent of the maximum, which results in a maximum annual award at a public two-year institution of \$910 and at State Technical College and four-year public and independent institutions of \$2,000. This program served more than 43,300 students in FY 2020.

Over the past several years, the number of applicants with an EFC at or below the established cutoff (\$12,000) has been declining. By establishing a more flexible application deadline, the department has somewhat ameliorated that trend and stabilized the number of eligible recipients. Currently, the department maintains a "priority deadline" of February 1, which ensures individuals who file a FAFSA by this date will receive an award. For FY 2021, the department was able to extend the deadline to the "final deadline" of April 1, providing an effective mechanism to balance the number of eligible applicants, the award levels, and the appropriated funding.

The intent of the requested increase for FY 2022 is two-fold. First and foremost, the request would restore program funding to the FY 2020 levels in order to avoid a reduction in award amounts to students. In addition, the requested increase would serve to maintain the buying power of those awards based on anticipated tuition increases.

In addition to the core transfer referenced above, Access Missouri also typically receives an additional \$5 million from gaming revenues, which is contained in HB 8. In order for the Gaming Commission to make payroll in FY 2020, DHEWD had to return \$1 million in scholarship funding. In FY 2021, it is unknown how much, if any gaming funds will be received. The projected state revenues for gaming in FY 2022 are unknown and difficult to project due to COVID closures and subsequent reduced attendance resulting from the pandemic.

A+ Schools Program

FY 2021 Core Transfer Appropriation	\$41,113,326
FY 2021 Supplemental	\$6,200,000
FY 2022 Core Transfer Request	\$41,113,326
FY 2022 Requested Increase	\$9,500,000

The A+ Scholarship program, which provided \$42.9 million to approximately 13,500 students in FY 2020, reimburses tuition and general fees at participating postsecondary institutions for students who attended A+ designated high schools for two years prior to graduation. While in high school, students must meet certain eligibility requirements, including maintenance of a 2.5 grade point average, a 95 percent attendance records, and performance of at least 50 hours of tutoring or mentoring. Upon high school graduation, eligible students

have four years to utilize the A+ benefit at participating public community colleges, public vocational technical schools, or two year private vocational technical schools that meet the statutory criteria.

Disbursements for FY 2020 exceeded projections resulting in the need for the Governor's office to release the statutory reserve in order to fund all eligible students at the required levels. This situation also resulted in the need to seek an early transfer of funds for FY 2021 in order to pay awards to students for summer classes. Based on this situation, department staff believe a funding shortfall is likely and, at this point in time, believe the requested supplemental appropriation is needed to ensure continued full funding of the program. Staff will continue to monitor program costs and will make adjustments to the supplemental request as conditions change and the fall usage data becomes available.

Consistent with past history, staff expect some increase in the number of recipients for FY 2022 even though overall enrollment is expected to decline. At this point in the life of the program, the primary cost drivers are increased tuition and fees at participating institutions. The requested amount will be sufficient to address the estimated six percent increase in program cost.

Fast Track Workforce Incentive Grant Program

FY 2021 Core Transfer Appropriation	\$3,000,000
FY 2022 Core Transfer Request	\$2,000,000
FY 2022 Requested Increase	\$2,700,000

The Fast Track Workforce Incentive Grant is a relatively new financial aid program designed to help primarily adult students complete an instructional program leading to employment in a high-need area. Initial implementation during FY 2020 was hampered by the timing of the roll-out, resulting from a limited ability to promote the program and a startup delayed until well into the fall semester. Staff continue to believe program growth will be substantial in FY 2021, particularly given the need for workforce-related training due to the COVID-19 pandemic. It is estimated that at full implementation, the grant component of this program could serve more than 10,000 students annually.

For FY 2021, funding includes \$1 million in GR and one million from Lottery (which can only be expended on students attending public institutions). Additionally, \$1 million is from a federal CARES Act Grant that may not exist in FY 2022. While this funding level and mix of sources will allow some expansion, it is not clear that it will be sufficient to meet the anticipated demand. The requested increase is intended to allow continued growth in the program by ensuring funding is sufficient to address growing student interest and maintaining student access through a broad range of participating institutions.

Marguerite Ross Barnett Scholarship

FY 2021 Core Transfer Appropriation	\$0
FY 2022 Core Transfer Request	\$0

Funding for this program was eliminated in FY 2021.

For the past several years, appropriations for the Advanced Placement Incentive Grant (\$100,000), Public Service Officer's Survivor Grant (\$153,000), and Wartime Veteran's Survivor Grant (\$315,000) programs were combined, allowing any excess funds in those programs to be transferred to the Marguerite Ross Barnett Scholarship. With the elimination of funding for Ross-Barnett, each program is listed on separate appropriation lines in the amounts noted above. The combined total for those three programs is listed below.

FY 2021 Total Core Appropriation	\$568,000
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FY 2022 Core Request	\$568,000
FY 2022 Requested Increase (Wartime Veterans)	\$10,000

The Advanced Placement Incentive Grant is a nonrenewable grant of \$500 available to any student who receives an Access Missouri or A+ award and has received two grades of three or higher on Advanced Placement tests in mathematics or science while attending a Missouri public high school. In FY 2020, 12 students received grants through this program. Funding is provided through a donation from MOHELA.

The Public Service Officer's Survivor Grant provides educational assistance to the spouses and children of certain public employees who were killed or permanently and totally disabled in the line of duty. In FY 2020, 21 students were served by this program. Dependents are eligible up to the age of 24 to receive a grant to enroll in any program leading to a certificate, associate degree, or baccalaureate degree at an approved Missouri postsecondary institution. The maximum annual grant is the least of the tuition for a full-time undergraduate Missouri resident at the University of Missouri—Columbia, or the actual tuition and incidental fees paid at the institution that the student attends.

The Wartime Veteran's Survivor Grant was established to provide scholarships to attend public postsecondary institution for the spouses or children of veterans who were Missouri residents when first entering the military and at the time of their death/injury, and who (1) died as a result of combat action or of an illness contracted while serving in combat or (2) became at least 80 percent disabled as a result of injuries or accidents sustained in combat action. In FY 2020, 25 individuals received this grant, the maximum allowed by statute. The law allows for awards of full tuition (the University of Missouri—Columbia rate is the maximum allowed), provides for up to a \$2,000 room and board allowance, and a \$500 book allowance per semester. This program has a waiting list each year so it is anticipated the program will need to continue to serve the 25 recipient maximum. However, an increase of \$10,000 is needed for this program in order to cover projected tuition increases at participating institutions.

Kids' Chance Scholarship Program

FY 2021 Core Appropriation	\$15,000
FY 2022 Core Request	\$15,000

The Kids' Chance Scholarship Program, established by section 173.254, RSMo, authorizes the Coordinating Board for Higher Education to provide scholarships for the children of workers who were seriously injured or died in a work-related accident or occupational disease covered by workers' compensation and compensable pursuant to chapter 287, RSMo, to attend a college, university, or accredited vocational institution of their choice. The Kids' Chance Scholarship Fund was created by statute and funded by the Division of Workers' Compensation. The fund contains a \$1 million corpus but awards can only be made using the interest earnings in the fund. The requested amount is set based on the size of the fund and projected interest earned. In FY 2020, two students received scholarships under this program.

Minority and Underrepresented Environmental Literacy Program

FY 2021 Core Appropriation	\$32,964
FY 2022 Core Request	\$32,964
FY 2022 Requested Increase	\$4,000

This program provides scholarships to full-time students who are members of minority and underrepresented groups who pursue a bachelor's or master's degree in an environmental-related field of study at a Missouri college or university and meet certain academic standards. This program served 9 students in FY 2020. An

increase of \$4,000 is needed for this program in order to cover projected tuition increases at participating institutions.

Returning Heroes Reimbursement Request

FY 2021 Core Appropriation	\$0
FY 2022 Request	\$1,162,659

The Missouri Returning Heroes Education Act, Section 173.900, RSMo, became law in August 2008. The statute requires that public institutions provide a tuition discount to veterans that meet the statutory eligibility requirements. In addition, the statute allows the institutions to request state reimbursement for tuition waived. The requested amount is based on information provided by the institutions regarding the amount of tuition waived under the program in FY 2020.

Missouri Student Loan Program (Federal Funds)

Administration

FY 2021 Core Appropriation	\$3,114,036	(15.80 FTE)
FY 2022 Core Request	\$3,114,036	(15.80 FTE)

The Missouri Student Loan Program is a guaranty agency for the Federal Family Education Loan program. The program's primary function is to conduct major activities in the areas of collections on defaulted loans, contracts and compliance, early awareness and outreach, and marketing and customer service. The total of outstanding guaranteed loan balances is approximately \$1 billion. The core request is from the Guaranty Agency Operating Fund. No general revenue funds are requested. There was a veto of \$547 for a mileage increase in FY 2021.

Guaranty Functions

Student Loan Revolving Fund

FY 2021 Core Appropriation	\$120,000,000
FY 2022 Core Request	\$120,000,000

Section 173.120, RSMo, establishes a revolving fund used solely to pay claims and administer the loan program. These funds are owned by the federal government. An appropriation granting authority to spend is required so that Guaranty Student Loan Program funds may be accessed. Disbursements include the purchase of defaulted loans, repurchases of defaulted loans by lenders, payments of accrued interest on defaulted loans, and federal reinsurance payments.

Default Prevention Activities

FY 2021 Core Appropriation	\$640,000
FY 2022 Core Request	\$640,000

The department uses this appropriation to support outreach, awareness and financial literacy to students on the issues that result from defaulting on student loan payments and the importance to avoid over-borrowing.

Collection Agency Invoicing

FY 2021 Core Appropriation	\$8,000,000
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FY 2022 Core Request	\$8,000,000
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The department uses this appropriation to pay the portion of the contracted loan servicer's monthly invoice which is directly related to collection services. Continued authority in the amount of \$8,000,000 is needed for this purpose.

Federal 48-Hour Rule Reimbursement

FY 2021 Core Appropriation	\$500,000
FY 2022 Core Request	\$500,000

A U.S. Department of Education regulation requires state guaranty agencies to deposit all revenues collected from defaulted borrowers into the state's federal fund within 48 hours of receipt. Authority in the amount of \$500,000 is needed to meet this requirement.

Transfer Appropriations

From Federal Student Loan Reserve Fund to Guaranty Agency Operating Fund

FY 2021 Core Appropriation	\$15,000,000
FY 2022 Core Request	\$15,000,000

From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund

FY 2021 Core Appropriation	\$1,000,000
FY 2022 Core Request	\$1,000,000

Federal law requires certain transfers between the guaranty agency operating fund and the federal student loan reserve fund. These appropriations provide the necessary authority to meet these requirements.

Tax Refund Offsets

FY 2021 Core Appropriation	\$750,000
FY 2022 Core Request	\$750,000

Section 143.781, RSMo, gives state agencies the authority to make state tax refund offsets against debts owed to the state agency, including defaulted guaranteed student loans.

Office of Workforce Development

Administration

FY 2021 Core Appropriation	\$21,437,283	(344.02 FTE)
FY 2022 Core Request	\$21,437,283	(344.02 FTE)

The Office of Workforce Development manages multiple federally funded programs through the central office and its 28 job centers statewide. The basic purpose is to improve the functioning of the national labor markets by bringing together individuals who are seeking employment and employers who are seeking workers. These funds are primarily staffing grants but they also operate under the umbrella of employment service. Also included in this core is \$500,000 for the Show-Me Heroes program and \$200,000 for an autism program in Southeast Missouri. There was a veto of \$20,498 for a mileage increase in FY 2021.

Workforce Programs

FY 2021 Core Appropriation	\$77,700,000
FY 2022 Core Request	\$77,700,000

The Office of Workforce Development's budget is almost entirely comprised of federal funding. This funding includes a statewide mission and includes a variety of programs and sub-awards to groups such as local workforce development boards. The following specific programs were earmarked in House Bill 2003 in the FY 2021 budget and may or may not be earmarked in this fashion again in the state FY 2022 budget:

- \$100,000 for a certified work ready program
- \$500,000 for a computer programming apprenticeship program
- \$300,000 for construction apprenticeship program
- \$100,000 for a disadvantaged person self-sufficiency program
- \$350,000 for a pre-apprenticeship training program (including \$100,000 in General Revenue)
- \$600,000 for a program for under-resourced individuals

*There were two vetoes for earmarked workforce projects that were added that did not have a Governor's recommendation. The vetoes totaled \$300,000 in Job Training Development Funds.

*This total includes \$1 million from the Special Employment Security Fund.

STATUTORY REFERENCE

Sections 173.005, RSMo, through 173.750

RECOMMENDATION

Staff recommend that the Coordinating Board approve the budget requests described above for submission to the Governor and General Assembly.

ATTACHMENT

- Returning Heroes Reimbursement Request by Institution

**Coordinating Board for Higher Education
September 16, 2020**

**Tab 19 Attachment A
Returning Heroes Reimbursement Request**

Higher Education Institutions FY 2022 Requested

Institution	FY22 Request
Crowder College	\$0
East Central College	\$0
Jefferson College	\$0
Metropolitan Community College	\$26,219
Mineral Area College	\$0
Moberly Area Community College	\$1,654
North Central Missouri College	\$0
Ozarks Technical Community College	\$0
St. Charles Community College	\$11,312
St. Louis Community College	\$0
State Fair Community College	\$0
Three Rivers College	\$3,744
Community College Subtotal	\$42,929
State Technical College of Missouri	\$0
University of Central Missouri	\$166,867
Southeast Missouri State University	\$100,440
Missouri State University	\$167,503
Lincoln University	\$7,534
Truman State University	\$3,113
Northwest Missouri State University	\$79,239
Missouri Southern State University	\$44,260
Missouri Western State University	\$20,586
Harris-Stowe State University	\$0
University of Missouri	\$530,188
Public Universities Subtotal	\$1,119,730
All Institutions	\$1,162,659