



Tab 16

FY 2025 Public College & University Operating Budget Recommendations

Coordinating Board for Higher Education
September 13, 2023

BACKGROUND

Section 173.1540, RSMo, requires public universities to prepare annual budget requests and submit them to the Department of Higher Education and Workforce Development. The department is required to review those requests and prepare unified appropriation recommendations. Section 163.191.2, RSMo, contains a similar provision pertaining to the appropriation of state funds to community colleges. Section 178.638, RSMo, indicates that “all funds designated for [State Technical College] shall be included in the coordinating board’s budget request.” Although the law assigns responsibility to the department – at least for the public universities and community colleges – the department’s practice has been to seek the Coordinating Board’s approval of those recommendations.

CURRENT STATUS

Earlier this year, the department developed and solicited feedback on specific priorities for the FY 2025 institutional budget requests. The FY 2025 draft budget instructions were first published on the department’s website as a part of the CBHE’s March 16, 2023 meeting materials. These draft instructions were later modified based on input from college and university leadership and finalized during the CBHE meeting on June 14, 2023. The instructions were sent to the public institutions’ chief financial officers (CFOs) on July 7th with a reminder to submit any new decision items and other budget materials by August 4th. On July 19th, State Budget Director Dan Haug released the official FY 2025 budget instructions.

The following items are structured around the priorities established as part of the budget instruction document and for the consideration of the CBHE for inclusion in the department’s formal FY 2025 budget request. Additional institution requests are provided for informational purposes only and will not be submitted as a part of the department’s formal FY 2025 budget request unless the CBHE chooses to include them.

- 1) **Institutional Operating Core:** DHEWD staff recommend an across the board percent increase to core operating appropriations (base plus). Staff recognize that on a fiscal year basis (July to June), the increase in the official Consumer Price Index for all urban consumers (CPI-U) from July 1, 2022 until June 30, 2023 is three percent. In addition, staff recommend an additional two percent core increase in recognition of the need for funding to address ongoing campus maintenance and repair needs.

This five percent total increase continues the trend of substantial increases to the institutions’ operating core and should be sufficient to provide support for expected levels of salary increases and other increased financial demands faced by the institutions. This inflationary factor is applied to each four-year institution and State Technical College of Missouri’s base core appropriation in order to determine the amount of the new decision item. For community colleges, the inflationary factor would be applied to the total core state appropriation to the sector, with the result constituting the related new decision item.

Since the recommendation is for an across the board increase, it is important to reference the status of the funding model contained in the final report submitted by the National Center for Higher Education Management Systems (NCHEMS) in July. As is recommended in that report, phased implementation of any new funding mechanism is essential in order to avoid the negative consequences of a major financial disruption. Consequently, the focus for the current fiscal year is to develop and promote the passage of the legislative framework necessary to establish a sustainable and rational funding approach. Work will, however, continue in collaboration with public colleges and universities and other constituencies on the refinement of the model for possible first stage implementation in FY 2026.

Attachment A includes a breakdown by sector. A total increase of \$8,659,688 is recommended for community colleges; \$45,103,737 for public universities; and \$452,825 for the State Technical College of Missouri. The combined total new decision item for all three sectors is \$54,216,250.

- 2) **MoExcels:** For the past several budget cycles, DHEWD has highlighted the need to focus on strengthening our workforce development pipeline through the MoExcels process. The MoExcels process solicits institutional proposals, developed in collaboration with business and industry, for one-time increases to establish or expand academic programs linked to high-demand occupations. The pandemic has further elevated this need as we recover from the resulting economic disruption.

Under the previous approach to requests for MoExcels funding, this agenda item included a request for a dollar amount based on specific projects proposed by public institutions. As with last year, this year's request is contained in a separate agenda item. To see more information about this budget request, including additional detail about each proposed project, see Tab 13. The department is requesting \$49.4 million to fund the 22 FY 2025 MoExcels projects.

- 3) **Missouri Returning Heroes:** The statute that established the Missouri Returning Heroes Education Act allows the Coordinating Board to include in its appropriation recommendations the amount of tuition waived during the prior fiscal year by public colleges and universities pursuant to the act. Contained in Attachment B are the amounts of tuition waived during FY 2023 in compliance with this statute, as reported by public colleges and universities. Although this request has never been funded, legislative interest has continued to grow and staff believe it is important to continue to request this reimbursement. The total requested is \$1,043,401.

- 4) **Institution-Specific Requests:** Institutions can submit requests for funding for new decision items. Attachment C to this agenda item details the requests received by DHEWD. Staff have reviewed the submitted requests and recommend the Lincoln University request for supplemental FY 2024 and FY 2025 appropriations to provide the additional state match necessary to fully access available federal land grant funds be included in the Coordinating Board budget request. The total requested for both the supplemental and regular appropriations is \$2,227,669.

The remaining institutional NDIs will not be formally entered into the budget process. The CBHE may opt to elevate some of those requests for inclusion in the formal budget request and they provide additional background when additional funding is available.

Other Department Budget Requests:

Administratively, the department's budget includes funding for the State Historical Society of Missouri. This state entity has its own governing board and the recommendation is to pass along their requests to the governor and the General Assembly. It has requested the following decision item:

- \$611,407 is requested to help cover cost of living and benefit cost increases. Because historical society staff are not considered regular state employees, they do not automatically receive the salary or benefit increases granted to state team members. This request allows them to continue to keep pace with increases in personnel costs.

NEXT STEPS

The Coordinating Board's recommendations become "department recommendations," which are submitted to the Office of Administration's Division of Budget & Planning by October 1. Budget and Planning then compiles requests for the governor and his staff to review. The governor decides whether to include department recommendations in his or her executive budget, which is released in connection with the State of the State address in late January or early February.

RECOMMENDATION

Staff recommend approval of the budget requests described above for submission to the governor and General Assembly and as described in Attachments A, B, and C.

ATTACHMENTS

- A. Institutional Core Inflationary Increase
- B. Returning Heroes Reimbursement Request
- C. FY 2025 Public College and University New Decision Items