



Tab 19

FY 2021 Department Operating and Student Financial Aid Budget Recommendations

Coordinating Board for Higher Education
September 11, 2019

DESCRIPTION

Staff recommendations for the FY 2021 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 2020 Core Appropriation	\$2,926,052	(45.03 FTE)
FY 2021 Core Request	\$2,926,052	(45.03 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 400,000 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.

The CBHE is authorized by HB 1042 (2012) to charge and collect fees from out-of-state public institutions desiring to operate within the state of Missouri. Included in the core item is spending authority for the fees collected from out-of-state public institutions.

In FY 2020, the legislature eliminated \$250,000 in general revenue funding for student loan default prevention activities and \$100,000 in performance improvement funding intended to help institutions that were not meeting their performance measures. A new appropriation was also added for \$21,843 (\$798 GR) to increase the state’s mileage reimbursement rate.

Program Distribution

Midwest Higher Education Compact

FY 2020 Core Appropriation	\$115,000
FY 2021 Core Request	\$115,000

Section 173.700, RSMo, authorizes Missouri’s membership in the Midwestern Higher Education Compact and names CBHE 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, and pharmacy benefits. Missouri, one of the original founding states of MHEC, has realized over \$102 million in savings since 1991. For academic year 2016-2017, Missouri institutions saved over \$12 million dollars as a result of MHEC membership.

Proprietary Schools Certification Fund

FY 2020 Core Appropriation	\$315,042	(5.0 FTE)
FY 2021 Core Request	\$315,042	(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 2020 Core Appropriation	\$400,000
FY 2021 Core Request	\$400,000

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.

Federal and Donated Funds

FY 2020 Core Appropriation	\$1,000,000
FY 2021 Core Request	\$1,000,000

This appropriation provides MDHE with spending authority for federal grants received by the agency. While the agency currently does not have any grant funding pending, we are always searching for new opportunities. Continuation of this appropriation at the current level would allow for immediate spending of any potential grants awarded during fiscal year 2019.

Donated and Other Funds

FY 2020 Core Appropriation	\$1,000,000
FY 2021 Core Request	\$1,000,000

This appropriation provides MDHE with spending authority for non-federal grants and donations received. Continuation of this appropriation at the current level would allow for immediate spending of any potential grants awarded during fiscal year 2021.

Other Funds

FY 2020 Core Appropriation	\$0
FY 2021 Core Request	\$78,000

Senate Bill 997 was passed in 2016 created a dual credit certification fund. Section 173.2505, RSMo, established the Dual Credit Scholarship Act. This spending authority is needed to allow the department to assess fees authorized in the statute and to create a position for the administration of this program.

General Revenue

FY 2020 Core Appropriation	\$0
FY 2021 Core Request	\$165,000

Senate Bill 997 also directed the CBHE to develop the Higher Education Core Transfer Curriculum (CORE 42). Section 173.785-789, RSMo, created the program. However, funding is needed to allow the department to produce data that allows for the assessment of the effectiveness of the higher education system as a whole, as well as for individual institutions. This effort would help ensure this CORE 42 curriculum meet academic standards for quality. Funding would build upon the pilot efforts the department has been involved in from 2014 to 2017.

Student Financial Assistance

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

In addition to recommended increases for projected growth, the department is requesting a change in funding source for the Bright Flight and Access Missouri programs. Over the past three 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 previously appropriated for these programs. In FY 2020, a \$14 million restoration of GR funding was completed. Because of the long-term negative impact of ongoing appropriations at this level from that fund, the MDHE is seeking 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.

Program Distribution

Academic Scholarship Program (Bright Flight)

FY 2020 Core Transfer Appropriation	\$23,676,666
FY 2021 Core Transfer Request	\$23,676,666
FY 2021 Requested Increase	\$500,000
FY 2021 Fund Switch from GAOF to GR	\$3,500,000

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, MDHE staff project that an additional \$500,000 will be needed for students in the top tier to receive the full \$3,000 award amount. Awards for students in the top 4th and 5th percentiles will remain at zero. Because the top three percent have been funded at the maximum amount for the past three years, this increase is driven entirely by continued growth in the number of students eligible to receive the scholarship. 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.

Access Missouri Financial Assistance Program

FY 2020 Core Transfer Appropriation	\$66,421,052
FY 2021 Core Transfer Request	\$66,421,052
FY 2021 Requested Increase	\$7,000,000
FY 2021 Fund Switch from GAOF to GR	\$6,500,000

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.

As the economy has continued to improve, 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 2020, 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 2021 is to start a multi-year phase-in to bring the funding level to the statutory maximum for the program. This increase of \$7 million would move the program from 72% to 82%

of the statutory maximum award. Without the proposed increase, the number of eligible recipients would likely need to be reduced in order to maintain an award level in the 70 to 72 percent range.

In addition to the core transfer referenced above, Access Missouri also typically receives an additional \$5 million from gaming revenues, which are contained in HB 8.

A+ Schools Program

FY 2020 Core Transfer Appropriation	\$41,113,326
FY 2021 Core Transfer Request	\$41,113,326
FY 2021 Requested Increase	\$4,800,000

The A+ Scholarship program, which provided \$39.0 million to more than 13,000 students in FY 2019, reimburses tuition and general fees at participating postsecondary institutions for students who attend 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.

Staff expect some increase in the number of recipients for FY 2021 as interest in the program grows. 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 2020 Core Transfer Appropriation	\$10,000,000
FY 2021 Core Transfer Request	\$10,000,000
FY 2021 Requested Increase	\$14,608,037

The Fast Track Workforce Incentive Grant is a new financial aid program designed to help primarily adult students complete an instructional program leading to employment in high-need area. It is estimated that at full implementation, the grant component of this program would serve as many as 17,000 students annually. While this Governor's initiative was partially funded in FY 2020 with \$10 million in Lottery funding, the total fiscal note for the legislation was approximately \$24 million. This increase would fulfill the anticipated program need and, if funded from General Revenue, would allow students at approved private and virtual institutions to participate in the program. Students at those institutions are currently excluded from the program because all FY 2020 funding is from Lottery.

Marguerite Ross Barnett Scholarship

FY 2020 Core Transfer Appropriation	\$413,375
FY 2021 Core Transfer Request	\$413,375

This program is being phased out as the new Fast Track Program is implemented. Only renewal students, defined as those funded in a previous fiscal year, will be funded in FY 2021. This program served 202 students in FY 2019.

Advanced Placement Incentive Grant Program, Public Service Officer's Survivor Grant Program, Wartime Veteran's Survivor Grant Program and Marguerite Ross Barnett Scholarship Program

FY 2020 Total Core Appropriation	\$1,068,000
FY 2021 Core Request	\$1,068,000
FY 2021 Requested Increase	\$13,000

The Advanced Placement Incentive Grant, the Public Service Survivor Grant, the Wartime Veteran's Survivor Grant, and the Marguerite Ross Barnett Scholarship programs are combined into a single line item appropriation. Historically, this allowed any unexpended funds from these programs, after awards are made to all eligible applicants, to be used in the Marguerite Ross Barnett Scholarship Program, which has had more applicants than available funding.

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 2019, 23 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 2019, 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 paid by a full-time undergraduate Missouri resident at the University of Missouri—Columbia, or the tuition and incidental fees paid at the institution which the student attends. An increase of \$4,000 is needed for this program in order to cover projected tuition increases at participating institutions.

The Wartime Veteran's Survivor Grant was established to provide scholarships to 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 2019, 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. An increase of \$9,000 is needed for this program in order to cover projected tuition increases at participating institutions.

The Marguerite Ross Barnett Memorial Scholarship Program is available to part-time students who are employed and compensated for at least 20 hours of work per week. The scholarship is need-based and is calculated using the Federal Needs Analysis Formula. The scholarship is especially important for individuals already in the workplace seeking to upgrade skills. During FY 2019, 202 students were served by the program.

Kids' Chance Scholarship Program

FY 2020 Core Appropriation	\$15,000
FY 2021 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. In accordance with statute, the director of the division of workers' compensation deposits \$50,000 each year beginning in 1999 until 2018 into the Kids' Chance Scholarship Fund. 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 as the fund continues to grow. In FY 2019, two students received scholarships under this program.

Minority and Underrepresented Environmental Literacy Program

FY 2020 Core Appropriation	\$32,964
FY 2021 Core Request	\$32,964

This program provides scholarships to full-time minority and underrepresented students 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 10 students in FY 2019.

Dual Credit Scholarship Program

FY 2020 Core Appropriation	\$0
FY 2021 Core Request	\$3,773,706

This is the cost associated with the implementation of SB 997 passed by the General Assembly in 2016. This would create a new need-based scholarship program separate from existing programs administered by the department.

Dual Credit Program

FY 2020 Core Appropriation	\$0
FY 2021 Core Request	\$22,852,863

This is the cost associated with the implementation of HB 604 passed by the General Assembly in 2019. The legislation established a dual credit scholarship linked to the existing A+ program.

Returning Heroes Reimbursement Request

FY 2020 Core Appropriation	\$0
FY 2021 Core Request	\$1,278,711

The Missouri Returning Heroes Education Act, Section 173.900, RSMo, became law in August 2008. This allows the institutions to request state reimbursement tuition waived for combat veterans.

Missouri Student Loan Program (Federal Funds)

Administration

FY 2019 Core Appropriation	\$3,097,584	(15.80 FTE)
FY 2020 Core Request	\$3,097,584	(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.

Guaranty Functions

Student Loan Revolving Fund

FY 2020 Core Appropriation	\$120,000,000
FY 2021 Core Request	\$120,000,000

Section 173.120, RSMo, establishes a revolving fund used solely to pay claims and administer the loan program. 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 2020 Core Appropriation	\$640,000
FY 2021 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 2020 Core Appropriation	\$8,000,000
FY 2021 Core Request	\$8,000,000

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 2020 Core Appropriation	\$500,000
FY 2021 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 2020 Core Appropriation	\$15,000,000
FY 2021 Core Request	\$15,000,000
From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund	
FY 2020 Core Appropriation	\$1,000,000
FY 2021 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.

Spending authority for the transfer from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund was increased by the legislature in FY 2013 to account for the removal of the estimated appropriation designation previously used on this line.

Tax Refund Offsets

FY 2020 Core Appropriation	\$750,000
FY 2021 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.

Division of Workforce Development

Administration

FY 2020 Core Appropriation	\$21,113,775	(344.02 FTE)
FY 2021 Core Request	\$21,113,775	(344.02 FTE)

The Division of Workforce Development manages multiple federally funded programs through the central office and its 31 job centers statewide. The basic purpose is to improve the functions 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.

Workforce Programs

FY 2020 Core Appropriation	\$78,700,000
FY 2021 Core Request	\$78,700,000

The Division 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 3 in the FY 2020 budget and may or may not be earmarked in this fashion again in the state FY 2021 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

STATUTORY REFERENCE

Sections 173.005, RSMo, through 173.750 – need to update statutory reference

RECOMMENDED ACTION

It is recommended that the Coordinating Board approve the budget requests described above for submission to the Governor and General Assembly.

NO ATTACHMENTS