



Tab 1

Supplemental Request: Bright Flight and A+

Coordinating Board for Higher Education

January 12, 2021

At the September meeting, the Coordinating Board approved increased appropriation requests for several state student financial aid programs. The intent of this agenda item is to seek CBHE approval for revised requests for A+ and Bright Flight due to changes since that meeting.

CURRENT STATUS

A+ Supplemental Request (FY 2021)

Anticipating slow to no enrollment growth for fall 2020, the Coordinating Board approved a supplemental request for this program of \$6.2 million. The request was based on projections of a seven percent increase (one percent increase in recipients; six percent increase in tuition and fee costs) for the program during FY 2021. Based on the changing nature of the enrollment situation, DHEWD staff indicated they would continue to monitor the situation and would make adjustments based on additional data as it became available later in the fall.

Because every A+ recipient's award is different, due to different tuition rates, different amounts of federal grant aid, and different levels of enrollment, it is not feasible to project expenditures based on the number of recipients and the average award. Instead, projections are based on historical trends in expenditures, broken out by payment periods (summer, fall, spring). Over the past five years, the percent of total expenditures that occur during the spring semester has averaged 42 percent. Said another way, on average 58 percent of program expenditures have occurred in the summer and fall semesters. The variation during this time period has been less than one percent so this average should be a reasonably good predictor of the future.

After the statutory reserve is removed, \$39,939,926 is available for A+ awards in FY 2021. Summer 2020 expenditures, which are funded from the FY 2021 appropriation, totaled \$3,207,786, a 24.2 percent increase over FY 2020. In October, as part of the regular program operation, participating institutions submitted projected expenditures for the fall 2020 term. The projected expenditures reported by participating institutions for fall totaled \$26,527,889, a 19.6 percent increase.

To update the projected shortfall, we took the total projected expenditures for summer and fall (\$29,735,675) and divided by the summer/fall average of total expenditures over the past five years (58 percent). This resulted in a total projected expenditure for FY 2021 of \$51,268,405. Based on that total expenditure level, full funding of the spring 2021 semester would require \$21,532,730 while there is anticipated to be \$10,204,251 available from the original appropriation. That leaves a projected shortfall of \$11,328,479.

With the allocation of \$4.9 million from Coronavirus Relief Funds to the A+ program, the projected shortfall has been reduced to \$6,428,479, which is approximately \$200,000 above the original DHEWD supplemental request of \$6.2 million. In order to allow for the statutory reserve to be excluded from the supplemental appropriation, an additional \$192,854 is needed, bringing the total revised supplemental request to \$6.6 million

A+ New Decision Item (FY 2022)

As with the supplement request, the initial FY 2022 budget request for this program was based on an assumption that program participation would be negatively affected by the pandemic. However, based on the changes referenced previously in projected expenditures for FY 2021, related changes are also needed to the original \$9.5 million request.

For a number of reasons, program growth has been considerably higher over the last two years (FY 2020 and 2021) than previous trends would have indicated. The underlying factors in this growth include the expansion of the program to non-public high schools, reduction in the number of years a recipient must attend an A+ high school, increased tuition and fee costs, increased levels of student enrollment, and the decision by students to stay close to home and avoid congregate living arrangements due to the pandemic. Because of the nature of these changes and the likelihood that most students receiving A+ will continue to use the program into the 2021-2022 academic year, it is assumed that growth will continue into FY 2022.

Program costs increased approximately nine percent between FY 2019 and 2020. Current projections indicate a growth rate between FY 2020 and 2021 of from 18 to 20 percent. Assuming these growth rates will not continue, the current estimate for growth is three percent. At that level of growth, the dollars necessary to fully fund the program for FY 2022 would be approximately \$52.8 million. To reach that level would require an increase in available funds of approximately \$12.9 million. In order to allow for the statutory reserve, the actual requested FY 2022 increase will need to be \$13.2 million.

Bright Flight Supplemental (FY 2021)

The FY 2021 appropriation for Bright Flight is \$20,176,666, a \$3.5 million reduction from the FY 2019 appropriation level. As a note, the total appropriation includes \$2 million from MOHELA. In October, the governor released half of the funds that were restricted in July. The release of \$3,235,447 brought the available GR funding total to \$14,492,983 after allowing for the statutory reserve. By adding in the \$2 million from MOHELA and \$1 million from program funds carried over from last fiscal year, the total available is currently \$17,492,983.

Based on usage to date, we are projecting a total of 7,983 Bright Flight recipients for FY 2021. Based on the goal expressed by the Governor's office of raising the spring award to \$1,500, the total award for the year would need to be increased to \$2,400 from its current \$2,170. Reaching this award level will require total available funds of \$19,159,200. This leaves a remaining projected shortfall of \$1,666,217. An additional \$51,500 needs to be added to that amount in order to allow for the statutory reserve from the supplemental, bringing the total revised supplemental request to \$1.7 million.

RECOMMENDATION

Staff recommend that the Coordinating Board approve the revised FY 2021 supplemental and FY 2022 new decision item requests described above for the A+ and Bright Flight student assistance programs.

NO ATTACHMENTS