



Tab 21
**FY 2023 Department and Student Financial Aid Budget
Recommendations**

Coordinating Board for Higher Education
September 15, 2021

DESCRIPTION

Staff recommendations for the FY 2023 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 2022 Core Appropriation	\$2,900,165	(45.03 FTE)
FY 2023 Core Request	\$2,900,165	(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 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 2022, there was a core reduction from FY 2021 of \$30,000 in GR personnel services and \$55,000 in GR expense and equipment. The Governor vetoed funding in all agencies appropriated for funding incentives for high-achieving department employees in the amount of \$52,256 (\$5,724 GR).

Administration – Office of Performance and Strategy

FY 2022 Core Appropriation	\$0	(0 FTE)
FY 2023 New Request	\$310,000	(3 FTE)

The Office of Performance and Strategy within DHEWD was historically supported through a combination of federal and general revenue funding. When DHEWD was created two years ago, the general revenue funds were not included with the transfer of the staff. Since that time, the office has simultaneously seen a reduction in federal funding from the U.S. Bureau of Labor Statistics. This office needs funding and FTE moved to GR in order to ensure stability and continued quality products. Missouri citizens need high quality data to make informed decisions about career and education choices and Missouri employers need to understand their labor market. The Missouri Economic Research and Information Center (MERIC), which is contained within this office, is the state cooperative partner for the federal U.S. Bureau of Labor Statistics programs, a primary source of occupation and industry information for the state. Due to years of declining federal budgets and increased expenses, the quality of the data in breadth and scope, as well as analysis and insights, has suffered, leaving Missourians with less than ideal data for decision-making. This NDI would stabilize those budgets to allow improved data collection and quality. Missourians rely on MERIC for high quality data and insights about

Missouri's economy, labor market, demographics, trends and industries. Restoring this funding would allow for backfilling staff to provide increased reporting on state and regional economic and labor market conditions and support a clerical staff member to enhance data collection programs.

Administration – Office of General Counsel

FY 2022 Core Appropriation	\$0	(0 FTE)
FY 2023 New Request	\$90,490	(1 FTE)

The Office of General Counsel workload has continued to increase as the new agency has fully integrated its operations and functions. Ranging from contract review, legislative fiscal notes, human resources issues and other items requiring legal support and analysis, this office is critical to the success of the department as a whole. This request is for the addition of one staff attorney and related support resources.

Administration – Office of Operations – Student Financial Aid Administration

FY 2022 Core Appropriation	\$0	(0 FTE)
FY 2023 New Request	\$423,258	(3 FTE)

The Office of Operations includes the student financial aid unit that administers approximately \$130 million in annual program disbursements statewide on behalf of students attending both public and private institutions. Between FY 2009 and present, the number of state student aid programs the department is responsible for administering has grown from six to ten and the number of students served has increased 25 percent. With the addition of the A+ Scholarship in FY 2011, the Fast Track Workforce Incentive Grant in FY 2020, and the A+ Dual Credit/Dual Enrollment Scholarship in FY 2022, the complexity of program administration has also increased. In this time, DHEWD received no new staff to accommodate the increased work load, although the department requested new staff and operational funds in accordance with the fiscal notes for both the Fast Track and A+ Dual Credit/Dual Enrollment Scholarship programs. It is critical that the staffing and operational support to administer programs be provided to ensure staff's ability to continue serving students efficiently and effectively. This amount includes three staff, ongoing funding and one-time funding needed for ITSD system needs to manage the programs.

Governor's Emergency Education Relief Funds - Institutions

FY 2022 Core Appropriation	\$15,000,000	(0 FTE)
FY 2023 Core Request	\$0	(0 FTE)

There were multiple line items for GEER funds appropriated in HB 3. The first (above) was a re-appropriation of GEER funds for institutions that was initially in the FY 2021 budget. A total of \$15 million was initially estimated for re-appropriation. However, institutions were able to expend all \$23.6 million in FY 2021 and this reappropriation was not needed by the institutions in FY 2022. There was \$1 million appropriated for Fast Track. However, due to the loan payback provisions in the authorizing statute, it was decided not to leverage the GEER funds due to the years of federal reporting associated with returning federal funds that would be required by GEER grant terms and conditions.

Governor's Emergency Education Relief Funds – Geer Excels & Certified Work Ready Community Program

FY 2022 Core Appropriation	\$12,835,500	(0 FTE)
FY 2023 Core Request	\$6,000,000	(0 FTE)

Missouri received a GEER II award from the U.S. Department of Education’s Governor’s Emergency Education Relief Fund totaling \$24,141,078. 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 \$12,000,000 for the GEER Excels Program and \$750,000 for the Certified Work Ready Community Program (in addition to the \$100,000 in GR core funds for this program) and \$85,500 for the related software to administer this program. Technically, funds under this program remain available for obligation through September 2023. The expenditure period ends September of 2024. However, the department expects this entire amount to be paid to institutions by the end of state FY 2023. This request provides spending authority for the proportion of these funds that are not expected to be expended in FY 2022.

MoExcels Workforce Initiative

FY 2022 One-time Appropriation	\$21,831,384	(0 FTE)
FY 2023 One-time Request	\$15,000,000	(0 FTE)

On July 21, a request for proposal for MoExcels was published to facilitate development and expansion of employer-driven education and training programs to increase educational attainment and career opportunities for populations historically underserved by higher education. The deadline to submit proposals is 5:00 p.m. on September 21, 2021. The board will have the opportunity to review proposed projects at a future CBHE meeting.

Proprietary Schools Certification Fund

FY 2022 Core Appropriation	\$320,597	(5.0 FTE)
FY 2023 Core Request	\$320,597	(5.0 FTE)

A key responsibility of DHEWD 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 - Administration

FY 2022 Core Appropriation	\$145,000
FY 2023 Core Request	\$145,000

In FY 2022, a new section was added to House Bill 3 to permit the use of bond funds for administrative purposes allowed by statute. Once funds have been distributed to students, the remaining funds can be used to help with records management. This appropriation will be used for both personnel services and expense and equipment to help DHEWD serve as the custodian of records (transcripts) for these closed schools. At the start of FY 2022, there was a balance of \$152,841 left over in the fund after all student damages were paid.

Proprietary School Bond Fund

FY 2022 Core Appropriation	\$400,000
FY 2023 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. DHEWD 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.

Program Distributions

Midwest Higher Education Compact

FY 2022 Core Appropriation	\$115,000
FY 2023 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 \$151.7 million in savings since 1990. For academic year 2019-2020, Missouri institutions saved over \$15.4 million dollars as a result of MHEC membership.

Federal and Donated Funds

FY 2022 Core Appropriation	\$500,000
FY 2023 Core Request	\$500,000

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 2023.

Donated and Other Funds

FY 2022 Core Appropriation	\$1,000,000
FY 2023 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 2023.

Student Financial Assistance

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

Academic Scholarship Program (Bright Flight)

FY 2022 Core Transfer Appropriation	\$24,076,666
FY 2023 Core Transfer Request	\$24,076,666

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 fourth and fifth percentiles. The top three percent must receive a full award (\$3,000) before students in the top fourth and fifth percentiles receive any award. Scholarships are renewable until the first bachelor's degree is received or ten semesters are attended, whichever occurs first. Core funding is sufficient to serve the top three percent in FY 2023 but, if the fourth and fifth percentiles are awarded in FY 2022, the FY 2023 appropriation will need to be re-evaluated to ensure renewal awards are available for all eligible students.

Access Missouri Financial Assistance Program

FY 2022 Core Transfer Appropriation	\$66,421,052*
FY 2023 Core Transfer Request	\$66,421,052*
FY 2023 Requested Increase	\$9,000,000

*This does not include the \$5 million transfer in House Bill 8 from the Missouri Gaming Commission.

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 2022, award levels are set at 89 percent of the maximum, which results in a maximum annual award at a public two-year institution of \$1,160 and at State Technical College, four-year public, independent, and virtual institutions of \$2,540. This program served more than 41,200 students in FY 2021.

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 but the number of eligible applicants has continued to shrink. 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 2022, 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 2023 is two-fold. First and foremost, the request would maintain the buying power of those awards based on anticipated tuition increases. Second, it would provide awards at the statutory maximum allowed for only the second time in the program's 15-year history. Awards were last set at the statutory maximum in FY 2009.

A+ Schools Program – A+ Scholarship for Postsecondary Students

FY 2022 Core Transfer Appropriation	\$54,313,326
FY 2023 Core Transfer Request	\$54,313,326
FY 2022 Requested Increase	\$6,000,000

The A+ Scholarship program, which provided \$50 million to approximately 14,800 students in FY 2021, 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 2021 exceeded projections resulting in the need for a supplemental appropriation as well as the Governor's office to release the statutory reserve in order to fund all eligible students at the required levels. Consistent with past history, staff expect some increase in the number of recipients for FY 2022 and FY 2023. At this point in the life of the program, the primary cost drivers are increased tuition and fees at participating institutions and an increase in the average number of credit hours completed by recipients. The requested amount will be sufficient to address the estimated eight percent increase in program cost.

A+ Schools Program – A+ Dual Credit/Dual Enrollment Scholarship

FY 2022 Core Transfer Appropriation	\$5,000,000
FY 2023 Core Transfer Request	\$5,000,000
FY 2023 Requested Increase	\$18,000,000

This program provides tuition and fee reimbursement for dual credit or dual enrollment coursework to high school students who meet the criteria outlined in Section 160.545, RSMo. Awards are prioritized based on financial need demonstrated by adjusted gross income. The student financial assistance received through this program is intended to increase the number of low-income students taking dual credit or dual enrollment coursework by covering the students' costs for those courses. Students who qualify for any other non-loan aid applicable to their dual credit or dual enrollment tuition and fee charges will have their A+ Dual Credit/Dual Enrollment Scholarship reimbursement reduced by a corresponding amount. The amount requested in FY 2023 of \$18 million is the balance needed after the initial \$5 million core investment based on the fiscal note developed when the legislation creating the program was passed in 2019.

Fast Track Workforce Incentive Grant Program

FY 2022 Core Transfer Appropriation	\$5,700,000*
FY 2023 Core Transfer Request	\$5,700,000*

*\$1 million of the appropriation above is from federal GEER funds, which have been appropriated since FY 2021. These funds have not been leveraged as their use would require long-term tracking of the grants funded through this source, including the need to return funds to the federal government as loan payments are received.

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. Students are required to live and work in Missouri for three years after graduating or receiving an industry-recognized credential or the grant converts to a loan that must be repaid with interest.

Initial program growth has been slower than anticipated as a result of the timing of the roll-out in FY 2020, which provided limited ability to promote the program and delayed startup until well into the fall semester, and the COVID-19 pandemic in FY 2021. Staff believe program growth will steadily increase in FY 2022, particularly given the need for workforce-related training due to the economic disruption caused by the pandemic. With the legislative sunset of the program due to occur next year, the legislative oversight division is currently conducting a sunset review of the program. The outcome of that review could have a significant impact on the program, particularly if the loan provisions are eliminated or the program is discontinued.

Advanced Placement Grants

FY 2022 Core Appropriation	\$100,000
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FY 2023 Core Request \$100,000

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 2021, 16 students received grants through this program. Funding is provided through a donation from MOHELA.

Public Service Officer or Employee Survivor Grant Program

FY 2022 Core Appropriation \$153,000
FY 2023 Core Request \$153,000
FY 2023 Requested Increase \$7,500

The Public Service Officer's Survivor Grant provides tuition assistance to the spouses and children of certain public employees who were killed or permanently and totally disabled in the line of duty. Dependents are eligible up to the age of 24. Eligible individuals can receive a grant to enroll in any program leading to a certificate, associate degree, or baccalaureate degree at an approved Missouri postsecondary institution. In FY 2021, 20 students were served by this program. 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 requested increase accounts for an estimated five percent increase in the average award resulting from tuition increases.

Wartime Veterans' Survivors Grant Program

FY 2022 Core Appropriation \$325,000
FY 2023 Core Request \$325,000

The Wartime Veteran's Survivor Grant was established to provide scholarships for the spouses or children of veterans who were Missouri residents when first entering the military or 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 2021, 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 a \$2,000 room and board allowance, and a book allowance of up to \$500 per semester. This program has a waiting list each year so it is anticipated the program will continue to serve the 25 recipient maximum in FY 2023.

Kids' Chance Scholarship Program

FY 2022 Core Appropriation \$15,000
FY 2023 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 2021, two students received scholarships under this program.

Minority and Underrepresented Environmental Literacy Program

FY 2022 Core Appropriation	\$36,964
FY 2023 Core Request	\$36,964

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 eight students in FY 2021.

Missouri Student Loan Program (Federal Funds)

Administration

FY 2022 Core Appropriation	\$3,120,931	(15.80 FTE)
FY 2023 Core Request	\$3,120,931	(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 \$736 Million. The core request is from the Guaranty Agency Operating Fund. No general revenue funds are requested.

Guaranty Functions

Student Loan Revolving Fund

FY 2022 Core Appropriation	\$120,000,000
FY 2023 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 Missouri 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 2022 Core Appropriation	\$640,000
FY 2023 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 2022 Core Appropriation	\$8,000,000
FY 2023 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 2022 Core Appropriation	\$500,000
FY 2023 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 2022 Core Appropriation	\$15,000,000
FY 2023 Core Request	\$15,000,000

From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund

FY 2022 Core Appropriation	\$1,000,000
FY 2023 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 2022 Core Appropriation	\$750,000
FY 2023 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 2022 Core Appropriation	\$21,633,048	(344.02 FTE)
FY 2023 Core Request	\$21,633,048	(344.02 FTE)

The Office of Workforce Development manages multiple federally funded programs through the central office and its 27 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.

Workforce Programs

FY 2022 Core Appropriation	\$80,598,259
FY 2023 Core Request	\$80,598,259

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 the 14 local workforce development boards. The following specific programs were earmarked in House Bill 3 in the FY 2022 budget and may or may not be earmarked in this fashion again in the state FY 2023 budget:

- \$ 935,500 (\$100,000 GR) for a certified work ready program – Of this, spending authority of \$85,500 for ongoing software and \$500,000 in federal GEER funding will need to be re-appropriated in FY 2023.
- \$500,000 for a computer programming apprenticeship program
- \$200,000 for a program to provide education, curriculum, training, access to capital, and mentoring
- \$300,000 for construction apprenticeship program
- \$100,000 for a disadvantaged person self-sufficiency program
- \$400,000 for a pre-apprenticeship training program
- Two separate line items for \$600,000 each for programs serving under-resourced individuals
- \$1,212,759 for a grant for pandemic response

*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.

NO ATTACHMENTS