

0AGENDA ITEM SUMMARY

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FY17 Recommendations for Public Institutions' Base Operating Appropriations
Coordinating Board for Higher Education
September 3, 2015

DESCRIPTION

The intent of this agenda item is to outline the budget situation facing Missouri state government and higher education in FY17 and to offer a budget recommendation for consideration by the Coordinating Board. At the time of printing, the department has not received direction regarding the acceptability of new decision items. An updated agenda item will be made available at the board meeting on September 3.

Background

In each of the latest three fiscal years, Missouri has seen slight gains in funding for its public higher education institutions, but continues to struggle for adequate funding.

Even as the state continues to make up for the decline in revenue during the recession, general revenue sources remain tight. There are signs of economic growth; most promising was an 8.5 percent growth in individual income tax collections for FY15. Sales tax collections improved slightly with gross collections increasing 2.3 percent over FY14. According to the state budget director, forecasters expect wage and business growth to accelerate this year as the economic recovery strengthens, but caution that continued global economic challenges as well as capital gains and tax policy continue to contribute to volatility in Missouri, similar to other states with significant swings in revenue growth and decline. At this time, the state is anticipating modest growth in general revenue collections during FY16. Net general revenue collections would need to grow by about 2 percent to fund FY16 appropriated spending levels.

Although gas prices continue to decline, consumers have not yet begun to spend the savings in other retail areas. Forecasters expect spending to increase going into calendar 2016. In addition, the weakening Chinese economy, and the debt crises in Greece and Puerto Rico were noted in the budget director's annual fiscal outlook as posing downside risk to the U.S. and Missouri economies.

SB 509 (2014) will need to be considered beginning in the FY17 budget. The bill would reduce income tax collections, including taxes for pass-through businesses. Some provisions of the bill will go into effect January 2017 (for the 2017 tax year), while others may go into effect at that time, depending upon growth in revenue collections.

The overall effect to state departments is that we have been instructed to request funding for our core budgets and any necessary core adjustments. In addition to mandatory new decision items, departments may also submit preliminary proposals for high-priority, non-mandatory programs.

Inclusion of new decision items in the October 1 budget submission is contingent upon prior approval granted by the Office of Administration, Division of Budget and Planning.

At this time, the department has submitted a list to Budget and Planning and is awaiting confirmation to include such items in the budget request for public institutions.

Higher Education Initiatives

In addition to core operating appropriations, a few institutions received additional appropriations for certain initiatives in recent years, which continue in the FY16 budget. While these items remain separate from the respective institutions' core budgets, they are considered on-going items for FY17 rather than new decision items. As a result, the recommendation to continue funding for these items is separate from the core operating budget request:

- \$2,000,000 for the Pharmacy Doctorate Program at Missouri State University in collaboration with the University of Missouri – Kansas City School of Pharmacy
- \$1,325,000 for an Occupational Therapy Program at Missouri State University – Springfield and Missouri State University – West Plains campus
- \$10,000,000 for the purpose of increasing the medical student class size at the University of Missouri in Columbia and to create a Springfield clinical campus in a public-private partnership with Cox Health and Mercy Springfield
- \$500,000 to the Office of the Provost of the University of Missouri, Kansas City for the Department of Architecture, Urban Planning, and Design (AUPD) under the College of Arts and Sciences for The Center for the Neighborhoods Initiative
- \$300,000 for a program designed to increase international collaboration and economic opportunity located at the University of Missouri – St. Louis

Tax Refund Offsets

Tax refund offsets intercept an individual's income tax refund in order to satisfy a financial obligation to a state agency, as defined in Section 143.782, RSMo. Public higher education institutions receive a tax refund offset appropriation to cover unpaid debts owed to the institution by state taxpayers.

Supplemental and NDI To be determined (University of Missouri System)

FY16 Core Appropriation	\$200,000
FY16 Supplemental Request	To be determined
FY17 Core Request	\$200,000
FY17 New Decision Item	To be determined

New Decision Items

To be determined.

Alternative Budget Request

Although additional funds may not be available for increased investment, there is still value in taking this annual opportunity to put forward a representation of some of the urgent needs of Missouri higher education. Accordingly, information on needed funding increases for institutional base operating budgets, as well as other budget items for higher education, will be transmitted to the Governor and General Assembly separately from the formal request. The components of this secondary budget request will be made available at the September board meeting once the department has received its guidance on new decision items from the Office of Budget and Planning.

Conclusion

With the state facing continued fiscal challenges and the national and state economies continuing only a modest pace of recovery, there is little discretionary revenue available to address financial needs in state government, including public higher education institutions. While higher education institutions are committed to continuing to seek ways to operate more efficiently and accommodate enrollment trends, affordable programs and services of quality cannot be maintained indefinitely with existing or reduced resources.

The formal request for FY17 adheres to the conditions set forth by the State Budget Director; however, a secondary set of recommendations has been developed and will be communicated so that policy makers are aware that additional investment in higher education is needed in order to maintain quality programs and services, keep tuition rates low and meet the urgent challenges of human development and workforce preparation for the new global economy. This approach will provide elected officials with important context and background about higher education's pressing needs when new funding becomes available.

STATUTORY REFERENCE

- Section 163.191, RSMo, CBHE statutory responsibility to develop an appropriations request for community colleges
- Sections 173.005.2(2), 173.030(3), and 173.040(5), RSMo, CBHE statutory responsibility to establish guidelines for appropriations requests and to recommend a budget for each state-supported university
- Section 173.005.2(7), RSMo, CBHE statutory responsibility for gathering data from state-supported institutions

RECOMMENDED ACTION

It is recommended that the Coordinating Board approve the FY17 request for Higher Education Initiatives totaling \$14,125,000, new decision items totaling (to be determined) and a core institutional appropriation request totaling \$929,819,114 for submission to the Governor and General Assembly.

ATTACHMENT(S)
FY17 Institutional Core Budget Request

Final amounts will be included in this item and brought to the September 3 board meeting, along with the final Recommended Action.