



## Tab 19 FY 2020 Budget Request

Coordinating Board for Higher Education  
September 12, 2018

### DESCRIPTION

This item summarizes the FY2020 budget requests for department operations, student financial assistance programs, institutions' operating budgets and initiatives, and capital funding. More detailed information is provided in subsequent tabs.

The Coordinating Board for Higher Education (CBHE) submits requests for funding for department operations, state student financial aid programs, institutions' operating budgets and initiatives, and capital projects each year. In addition, the CBHE may request supplemental funding for any program for which additional funds are needed to continue to operate a program for the fiscal year already underway. Decisions about request levels are made in close consultation with the Office of Administration's Division of Budget and Planning and the state budget director. Budget and Planning provides guidance to all agencies in their annual budget instructions. That guidance is based on strategic direction established by the governor's office, projected fiscal conditions, and other factors deemed relevant.

The FY 2020 budget instructions [cover letter](#) from Dan Haug, State Budget Director, outlined the following:

*"Fiscal Year 2018 general revenue collections grew by 5.0% compared to Fiscal Year 2017 collections, which increased 2.6% from Fiscal Year 2016. Growth of 4.2% was needed to meet the budgeted revenue estimate. The most promising news from Fiscal Year 2018 was the 5.6% growth in gross individual withholding tax collections. Sales tax collections were moderate with 2.3% growth in net collections for the fiscal year, and net corporate income tax collections increased by 6.1% in Fiscal Year 2018.*

*Missouri is similar to other states in seeing significant swings in revenue growth/decline. Capital gains and tax policy have driven some of that volatility with continued national policy and global economic challenges contributing to this situation. If Fiscal Year 2019 follows this pattern, growth in collections could slow to a more moderate amount. However, because FY 2018 finished above estimate, net general revenue collections could decline by about (0.5%) and still meet the Fiscal Year 2019 budgeted revenue estimate.*

*Going forward, forecasters expect wages to accelerate as the labor market runs at or past full employment in 2018. As is typical, domestic and international financial concerns as well as geopolitical issues pose key risks to this outlook. Uncertainty about national policy, the Puerto Rico debt crisis and the British exit from the European Union all pose downside risk to the U.S. and Missouri economies.*

*The Fiscal Year 2020 budget will also need to consider the implications of the federal tax reform and SB 509 (2014). The federal tax reform made multiple changes to the federal tax code and because Missouri conforms with many pieces of the federal code, Missouri's tax code was also subsequently changed. The federal tax reform nearly doubled the standard deduction while concurrently eliminating the personal and dependent deductions, both at the federal and state levels. SB 509 (2014) will reduce state income tax collections by phasing-in a top rate reduction and income exemption for pass-through businesses. The first reduction to the income tax rate and the first phase-in of pass through business income occurred during tax year 2018. The second reduction of the income tax rate and the second phase-in of the pass-through business income will occur during tax year 2019. This will affect both FY 2019 and FY 2020 general revenue collections.*

*In addition, growth in FY 2019 has the potential to trigger the third round of tax cuts from SB 509 (2014), further impacting FY 2020 collections.”*

The cover letter states that “*Departments may request mandatory and priority FY 2020 new decision items.*”

A summary of MDHE staff recommendations is provided below, and additional detail is provided in the agenda items dedicated to these topics.

### **FY 2019 (Supplemental Budget)**

For the current fiscal year, increase debt offset spending authority for community colleges by \$50,000 and for Missouri Western State University by \$75,000.

No additional supplemental budget requests are anticipated at this time.

### **FY 2020 Proposed**

<b>MDHE Operations</b>	Maintain flat funding for most program areas with new decision items focused on costs to implement legislation (SB 997, SB 807, HB 1606), pay plan cost-to-continue (\$23,469) and a new \$250,000 request for academic assessment funding for the CORE 42 curriculum for all institutions. Two new FTE and \$110,000 is also requested for a new MDHE Fellowship program.
<b>Bright Flight</b>	Increase funding by \$500,000 over the FY 2019 core appropriation to maintain full award amounts for students in the top tier of Bright Flight recipients. A total of \$14 million (\$7 million for Bright Flight) in general revenue is also required to offset the one-time loan program operating funds used in FY 2019.
<b>Access Missouri</b>	Increase funding by \$9 million over the FY 2018 core appropriation. To fully fund Access Missouri, \$39.1 million would be needed. This new decision item would take a phased approach requesting \$9 million. It would move from the current award level, which is 72% of the statutory maximum, to 82%. This is roughly a three-year plan for increases. Implementing SB 807 would require an additional and separate NDI of \$960,000 as students attending Western Governors Univeristy are newly eligible for this program. A total of \$14 million (\$7 million for Access Missouri) in GR is required to offset the one-time loan program operating funds used in FY 2019.
<b>A+</b>	Increase funding by \$1.5 million over the FY 2019 core appropriation to maintain full award amounts.
<b>Ross-Barnett</b>	An additional \$284,625 is needed to serve an identified number of unfunded students.
<b>Public Service Officer Survivor Grant Program</b>	SB 807 expanded the eligibility of this program to additional classifications. The estimated cost to cover this expansion is \$13,000.
<b>Wartime Veterans Survivor Grant Program</b>	Increase funding by \$13,750 over the FY 2018 core appropriation to continue inflationary needs to serve the maximum of 25 individuals authorized in statute.

<b>Dual Credit Certification and Scholarship Program</b>	A total of \$3,851,706 is needed to implement legislation passed in 2016 (SB 997) that was never funded. A portion of this will be covered by fees charged to dual credit providers for the certification process.
<b>Missouri Student Loan Administration</b>	No changes are needed for this program except for the request to reduce the need for the operating funds that are used for financial aid programs. A total of \$14 million needs to return to GR funding to ensure the viability of the program.
<b>Institutions' Operating Budgets</b>	The core FY 2019 budgets are recommended with a 4% increase. Three percent would be awarded based upon three performance measures related to workforce development. An additional 1% would be allocated to address equity issues.
<b>Workforce Development</b>	\$55.8 million would be requested for workforce initiatives designed to target state and regional workforce needs.
<b>Tax Refund Offset</b>	Continue FY 2019 funding levels with two increases. Community Colleges need an additional \$50,000 and Missouri Western State University needs an additional \$75,000 in spending authority.
<b>Funding for Capital Projects</b>	A total of \$4.4 million is requested for community colleges and \$10 million for the public universities and State Technical College of Missouri for significant maintenance and repair needs.
<b>Other Needs</b>	<p>The following have been identified as significant needs to be requested:</p> <ul style="list-style-type: none"> <li>• State Historical Society \$1,475,000 – This includes new building operational costs were only partially funded in FY 2019. This would fund the balance of the core funds needed. Funding for three additional positions (library support specialist, archivist, event services manager) totaling \$300,000, inclusive of benefits is also requested.</li> <li>• University of Missouri System Alzheimer's Program is requesting \$507,540 for research funding and related administrative costs.</li> <li>• The Seminary Fund is requesting its annual transfer. The FY 2020 amount requested would be \$3 million.</li> <li>• Missouri Fine Arts Academy, \$225,637 - This would move the Missouri Fine Arts Academy funding from Department of Elementary and Secondary Education to the Department of Higher Education's budget.</li> <li>• Missouri Scholars Academy, \$235,000 - In FY 2018, University of Missouri and the UM System contributed 55% (\$235,000) of the total MSA Budget (\$435,000). In order to make up the difference, MSA enacted a \$650 scholar activity fee. Additionally, MSA gave out 38 fee waivers to students on free and reduced lunch.</li> </ul>

## STATUTORY REFERENCE

Authority granted under Sections 173.005, RSMo, through 173.750

**RECOMMENDED ACTION**

This is an information item only.

**NO ATTACHMENTS**