



Tab 20
**FY 2020 Department Operating and Student Financial
Assistance Budget Recommendations**

Coordinating Board for Higher Education
September 12, 2018

DESCRIPTION

These recommendations are provided for informative and discussion and will be acted on during a follow – up telephone meeting the week of September 24, 2018.

Coordination

Administration

FY 2019 Core Appropriation	\$3,174,164	(45.03 FTE)
FY 2020 Core Request	\$3,174,164	(45.03 FTE)

The Missouri Department of Higher Education serves the state system of higher education through the public institutions, the independent colleges and universities, proprietary schools, and approximately 400,000 students. Primary responsibilities include statewide planning for postsecondary education, submission of a unified annual budget request, approval/review of new degree programs, administration of state student financial assistance programs and the Federal Family Education Loan Program, working collaboratively with K-12 and the Department of Economic Development, and administration of the proprietary school certification program.

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.

New in FY 2019 was the addition of \$250,000 for default prevention activities that were previously funded from the Guarantee Agency Operating fund.

Program Distribution

Midwest Higher Education Compact

FY 2019 Core Appropriation	\$115,000
FY 2020 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.

Improving Teacher Quality Grant

FY 2019 Core Appropriation	\$1,249,157	(1.00 FTE)
FY 2020 Core Request	\$0	(0 FTE)

The core appropriation of \$1,249,157 in federal funds comes from a U.S. Department of Education grant to enhance teacher education in mathematics and science, as authorized by Title II of the Elementary and Secondary Education Act. These funds are allocated to projects designed by higher education institutions and

qualifying nonprofit organizations in cooperation with eligible K-12 school districts to improve mathematics and science education in grades K-12. The grant will end in the current fiscal year and there is not opportunity for renewal.

Proprietary Schools Certification Fund

FY 2019 Core Appropriation	\$309,960	(5.0 FTE)
FY 2020 Core Request	\$309,960	(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 2019 Core Appropriation	\$400,000
FY 2020 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 2019 Core Appropriation	\$1,000,000
FY 2020 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 2019 Core Appropriation	\$1,000,000
FY 2020 Core Request	\$1,000,000

This appropriation provides MDHE with spending authority for non-federal grants and donations received.

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 2020.

Performance Funding Assessment and Improvement

FY 2019 Core Appropriation	\$100,000
FY 2020 Core Request	\$100,000

This appropriation provides MDHE with spending authority assist higher education institutions that do not meet performance targets.

The agency is currently planning the use of these funds for FY 2019 and may need funds to continue improvement initiatives identified in FY 2020.

Financial Assistance and Outreach

The department has identified additional needs in core and core transfer appropriations for the major scholarship programs it administers. The governor's office is still assessing the general revenue picture and

availability of dollars, and believes it will have a better assessment of the numbers in December.

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. During the 2018 legislative session, \$9.5 million of General Revenue funding was removed from these programs and replaced with the same amount from the MDHE Loan Operating Fund. Again in FY 2019, \$24 million was used as one-time funding. MDHE can only sustain another \$9.5 million in FY 2020 and no additional funds in FY2021 in order to keep the loan program viable. Because of the long-term negative impact of ongoing appropriations at this level from that fund, the MDHE is seeking a “fund switch” of \$14 million (\$7 million in Bright Flight and \$7 million in Access Missouri) from the Loan Operating Fund back to General Revenue. An additional fund switch will be requested in FY 2021 for the remaining \$10 million.

Program Distribution

Academic Scholarship Program (Bright Flight)

FY 2019 Core Transfer Appropriation	\$23,176,666
FY 2020 Core Transfer Request	\$23,676,666
FY 2020 Requested Increase	\$500,000
FY 2020 Fund Switch from GAOF to GR	\$7,000,000

The Missouri Higher Education Academic Scholarship Program (commonly known as Bright Flight) provides scholarships to students who have a composite score in the top five percent of all Missouri students taking the ACT or the SAT during their senior year of high school. 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 2020, 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 than has traditionally been the case. Although funding for ACT “census” testing by the Department of Elementary and Secondary Education was not available, many high schools continue to test all of their juniors in order to provide feedback on student preparation and to maintain trend data on student performance. This additional funding is needed to keep pace with this expansion.

Access Missouri Financial Assistance Program

FY 2019 Core Transfer Appropriation	\$65,511,052
FY 2020 Core Transfer Request	\$74,511,052
FY 2020 Requested Increase	\$9,000,000
FY 2020 Fund Switch from GAOF to GR	\$7,000,000

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 has been declining. By establishing a more flexible application deadline, the department has somewhat ameliorated that trend and stabilized the number of eligible recipients. For example, by moving the application deadline from February 6, the deadline established for FY 2019, to March 1 for FY 2019, the program is estimated to serve approximately 45,000 Missouri residents with the cost of postsecondary education during FY 2019, a slight increase over the number of students that participated in FY 2018.

The program's broad eligibility base coupled with limited funding has eroded award amounts significantly from full funding of statutory maximums achieved in FY 2009. For FY 2018, the award levels were set at 70 percent of the maximum. For FY 2019, with an appropriation increase of \$2 million, award levels were increased slightly to 72 percent of the maximum. The intent of the requested increase for FY 2020 is to start a multi-year phase-in of the program to meet the statutory authorization for the program. This increase of \$9 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 2019 Core Transfer Appropriation	\$39,613,326
FY 2020 Core Transfer Request	\$41,113,326
FY 2020 Requested Increase	\$1,500,000

The A+ Scholarship program, which provided \$36.3 million to nearly 13,000 students in FY 2018, reimburses tuition and general fees at participating postsecondary institutions for students who attend A+ designated high schools for three 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.

During the 2016 legislative session, the program was expanded to allow the A+ designation of private high schools. FY 2018 was the first year eligible graduates of A+ designated private high schools were eligible to participate in the scholarship component of the program. It is important to note that A+ high school designation remains a responsibility of the Department of Elementary and Secondary Education.

Staff expect growth to continue into FY 2020 as additional private high schools are designated and interest in the program grows. The requested amount will be sufficient to address the estimated six percent increase in program cost.

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 2019 Total Core Appropriation	\$1,041,250
FY 2020 Core Request	\$1,352,625
FY 2020 Requested Increase	\$311,375

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. This allows 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 2018, 5 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 2018, 20 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.

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 2018, 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.

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 2018, 203 students were served by the program. As part of the ongoing state student financial aid review, it has become clear that the population of part-time students is increasing while the reach of this program is contracting. The proposed increase would allow the department to make awards to more than 100 additional part-time students, based on the FY 2015 peak in eligible applicants.

Kids' Chance Scholarship Program

FY 2019 Core Appropriation	\$15,000
FY 2020 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 2018, two students received scholarships under this program.

Minority and Underrepresented Environmental Literacy Program

FY 2019 Core Appropriation	\$32,964
FY 2020 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 2018.

Advantage Missouri Program

FY 2019 Core Appropriation	\$15,000
FY 2020 Core Request	\$0

The operational close out of the Advantage Missouri Loan and Loan Forgiveness Program was completed during FY 2018. This core reduction completes the budgetary close out process.

Missouri Student Loan Program (Federal Funds)

Administration

FY 2019 Core Appropriation	\$12,216,149	(15.80 FTE)
FY 2020 Core Request	\$12,216,149	(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 \$1.1 billion. The core request is from the Guaranty Agency Operating Fund. No general revenue funds are requested.

Guaranty Functions

Student Loan Revolving Fund

FY 2019 Core Appropriation	\$120,000,000
FY 2020 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.

Collection Agency Invoicing

FY 2018 Core Appropriation	\$8,000,000
FY 2019 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 2018 Core Appropriation	\$500,000
FY 2019 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 2019 Core Appropriation	\$15,000,000
FY 2020 Core Request	\$15,000,000

From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund	
FY 2019 Core Appropriation	\$1,000,000
FY 2020 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 2019 Core Appropriation	\$750,000
FY 2020 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.

Statewide Student Web Portal

FY 2019 Core Appropriation	\$500,000
FY 2020 Core Request	\$0

No funding is being requested in FY20 as this project will enter maintenance of approximately \$100,000 annually and is budgeted as part of the ITSD core appropriation in HB 5.

STATUTORY REFERENCE

Sections 173.005, RSMo, through 173.750

RECOMMENDED ACTION

This is an information item only at this time, but staff recommend that it be taken up in a board meeting the week of September 17, 2018.

NO ATTACHMENTS