



Tab 15  
**FY 2025 Department and Student Financial Aid Budget  
Recommendations**

Coordinating Board for Higher Education  
September 13, 2023

**DESCRIPTION**

Staff recommendations for the FY 2025 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. Most items where the FY 2025 request is only to maintain the core are included in an attachment.

**Coordination**

*Administration*

FY 2024 Core Appropriation	\$4,653,229	(48.63 FTE)
FY 2025 Core Request	\$4,546,692	(48.63 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 an approximate total of 340,000 enrolled students. 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, and administration of Missouri’s workforce development system.

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 MDHEWD 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 2024, there was a core increase from FY 2023 of \$1,129,937 in GR, \$3,794 in other funds, and \$100,000 in Lottery for Student Journey Mapping. Of this increase, \$106,537 are one-time funds that will be removed from the FY 2025 budget.

*MoExcels Workforce Initiative*

FY 2024 One-time Appropriation	\$38,336,840	(0 FTE)
FY 2025 One-time Request	\$49,401,005	(0 FTE)

MoExcels was established 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. For FY 2025, a total of 22 requests for new funds were submitted to the department. The deadline to submit proposals was July 3, 2023. Proposal summaries can be found in Tab 13, Attachment E.

Indirect Cost Rate Conversion

FY 2024 Core	\$0
FY 2025 One-time Request	\$1,763,140

As has been the case for many years, a certain percentage of department staff are paid from a variety of fund sources based on the nature and scope of the work in which they are engaged. When this involves funding from external grants, particularly from the federal government, it is necessary to establish a mechanism to determine what proportion of indirect costs each program or grant should bear. Indirect costs include items like overhead (rent, utilities, etc.) and general and administrative services (administrative salaries, accounting department costs and human resources costs).

DHEWD currently administers a substantial number of federal grants, primarily from the U.S. Department of Labor (DOL) that require some form of cost allocation. At the present time, the department utilizes as cost allocation plan that is complex to maintain and requires a substantial commitment of staff time to establish the allocations and verify accuracy. At the encouragement of DOL, DHEWD has begun the process to convert from a Cost Allocation Plan to a much simpler Indirect Cost Rate approach. An indirect cost rate is essentially the ratio between the total of indirect expenses and a predetermined direct cost base. The current plan is to convert to the indirect cost rate approach beginning on July 1, 2024. In order to accomplish the conversion, an initial pool of GR funds must be established for approximately six months which will provide time for the transition to the indirect cost pool funded from grant funds.

**Student Financial Assistance**

While there is no request for increased funding for our student aid programs, some adjustments to those appropriation levels are needed for certain programs. Over the past year, with substantial changes in enrollment patterns and levels and the legislature and Governor's support for full funding of our student financial aid programs, appropriation levels have become out of sync with the awards disbursed in three programs: Bright Flight, Fast Track, and Dual Credit/Dual Enrollment. This has created a situation where program fund balances are growing and there are no built in mechanisms within these programs for addressing this situation.

**Bright Flight:** Fiscal Year 2023 was the first year funding was provided for the top fourth and fifth percentile students, which had been potentially eligible for awards since FY 2011. An appropriation increase was passed by the legislature to change this situation but fewer than projected students in the top fourth and fifth percentiles took advantage of the scholarship. Additionally, now that the backlog of eligible students has been eliminated, we expect to pay fewer students in that award category. If a change is not made, the FY 2025 core appropriation will be \$27.6 million (before withholdings) while the FY 2023 expenditures totaled only \$21.1 million. As a result, DHEWD staff is requesting a \$4.6 million core reduction to bring the appropriation into better alignment with expected disbursements.

FY 2024 Core Appropriation	\$27,576,666
FY 2025 Request	\$23,000,000

**Fast Track:** While there have been substantial changes to the structure of this program, including the elimination of the loan component and expansion to additional training providers, low utilization since the program was implemented in 2019 has led to a substantial fund balance (approximately \$9 million) in this program. That situation was the impetus behind an effort during the 2023 legislative session to eliminate funding for the program. While we believe the program will continue to experience growth, it is important to address this fund balance situation promptly to address the fund balance issue and in order to avoid a repeat of last session. As a result, staff is requesting a \$1.7 million core reduction in this program.

FY 2024 Core Appropriation	\$4,700,000
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FY 2025 Request \$3,000,000

**Dual Credit/Dual Enrollment:** FY 2023 was the first year for this new, need-based program designed to assist low income high school students access and complete college-level coursework while enrolled in high school. As a result, projections of the number of recipients and program costs were difficult to estimate and the FY 2024 appropriation of \$7 million was maintained the prior dual credit/dual enrollment program. While it is expected that FY 2025 will show substantial growth in this program, the experience of the first year would indicate that the current appropriation level is not in alignment with the likely level of ongoing program need. Consequently, staff is requesting a \$5 million core reduction in this program.

FY 2024 Core Appropriation \$7,000,000

FY 2025 Request \$2,000,000

**Missouri Student Loan Program**

The Loan Program ended operations and the portfolio of loans was transferred to Educational Credit Management Corporation (ECMC) effective October 1, 2022. Once all of the close out bills are paid out of the operating fund and the financial reporting is closed out, a core request needs to be maintained to provide spending authority for any leftover funds. While the current appropriation is only for default prevention, the department can request to use these funds for another program or other outreach needs as long as the uses are consistent with the federal regulatory requirements.

*Default Prevention Activities*

FY 2024 Core Appropriation \$640,001

FY 2025 Core Request \$640,001

*Transfer Appropriation*

From Federal Student Loan Reserve Fund to Guaranty Agency Operating Fund

FY 2024 Core Appropriation \$0

FY 2024 Core Appropriation Supplemental Request \$5,000,000

The FY 2024 Supplemental for a transfer from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund is to ensure the department has transfer authority to close out the Federal Fund during this fiscal year.

**Office of Workforce Development**

*Administration*

FY 2024 Core Appropriation \$26,305,247 (343.62 FTE)

FY 2025 Core Request \$26,289,990 (343.62 FTE)

The Office of Workforce Development manages multiple federally funded programs through the central office and its 24 job centers statewide. The basic purpose is to improve the functioning of the Missouri labor market 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, \$250,000 for an autism program in Southeast Missouri, and \$2.5 million for the P20W System. Of this, \$15,257 are one-time funds and are being removed from the FY 2025 budget.

Workforce Programs

FY 2024 Core Appropriation	\$80,598,259
FY 2025 Core Request	\$55,002,594

The Office of Workforce Development's budget is almost entirely comprised of federal funding. This funding includes a statewide mission and a variety of programs and sub-awards to groups such as the 13 local workforce development boards.

Included within this item is the spending authority appropriation for the Job Development and Training Fund, which allows pass through federal funding primarily for the operation of the Missouri Job Centers and related operation expenses. Previously, this budget line has been set at \$66,595,665 but actual expenditures in FY 2023 were only \$29.2 million and the average expenditures over the last four years has been approximately \$30 million. In order more closely align spending authority and actual expenditures while maintaining some excess authority in case it is needed for emergency situations, staff is recommending a core reduction of \$25,595,665 to this line. This will maintain approximately \$10 million in additional spending authority in case that need arises.

The following specific programs were earmarked in House Bill 3 in the FY 2024 budget and may or may not be earmarked in this fashion again in the FY 2025 budget:

- \$100,000 in GR for a certified work ready program
- \$1,459,000 in GR for Virtual Education Program
- \$350,000 in GR for providing education curriculum, training, access to capital, and mentoring "Launch KC"
- \$1,000,000 in GR for a computer programming apprenticeship program
- \$1,000,000 in GR for facilitating supplemental educational programs, job development and training, and community service programs for under-resourced individuals
- \$300,000 in GR for a construction workforce program that operates statewide "MO Works Pre-Apprenticeship"
- \$300,000 for construction apprenticeship program "St. Louis Pre-Apprenticeship"
- \$100,000 for a disadvantaged person self-sufficiency program "KC Pre-Apprenticeship"
- \$700,000 for assisting minorities and women to obtain self-sufficiency through job training "Pre-Apprenticeship KC"
- \$3,000,000 in GR for Geospatial Training
- \$1,000,000 in GR for ACCESSPOINT to give comprehensive counseling and solution generation service
- \$100,000 in GR for Future In Action to provide youth and their family with mentorship
- \$300,000 in GR for a Social Work Program with Missouri Western State University

Office of Workforce Development Programs - Apprenticeship Missouri

FY 2024 Core Appropriation	\$3,010,180 (2.25 FTE)
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The Office of Workforce Development has been building the apprenticeship model in Missouri for several years, achieving the status of second in the nation for the number of new apprentices and fourth in the nation for active apprentices as of August 1. Apprenticeships serve two purposes 1) providing training and work experience for individuals, leading to long-term employment and family-sustaining wages, and 2) employers will have workers with the skillsets to meet their business needs as they serve their customers. The general revenue funding request for FY 2024 was moved into OWD’s federal funds. While it may appear that OWD has federal funding available, that budget line represents spending authority, not actual dollars. Federal funding has decreased over the past few years, and most of the funds are disbursed to the local workforce boards and projects to support the workforce system. The intent of again requesting this GR fund switch is to establish a stable funding source for apprenticeships in order to will ensure growth in the “earn and learn” model for both workers and employers. The focus for apprenticeships will continue to be in-demand occupations that employers across Missouri need to continue to grow and thrive.

Office of Workforce Development Programs – Modernize Missouri Job Centers

FY 2024 Core Appropriation	\$2,365,343
FY 2025 Core Appropriation	\$2,365,343

The Office of Workforce Development provides job training and career services in 24 physical job centers across Missouri. To improve the delivery of services and ensure Missouri citizens are provided exceptional customer service, updating of equipment and technology is necessary. Funding will be used for the purchase of technology and equipment, maintenance and updating of physical job centers, and implementation of resources to expand capabilities to serve citizens both in person and virtually across Missouri. The FY 2024 funding for this project was provided in House Bill 20 from American Rescue Plan Act (ARPA) funding. While additional funding is needed to complete this project, current budget instructions from the Office of Administration do not allow requests for additional ARPA funding. DHEWD staff will work with the Governor’s Office to continue to fund this important effort in FY 2025. Additional funding would be used to upgrade technology and physical space used by Missouri employers and training providers to prepare Missourians for new careers, to engage in upskilling, and to conduct employment services. This funding will be used to also implement the recommendations of the Missouri Workforce Connect Facilities (formally the Missouri Job Centers) Master Plan.

**STATUTORY REFERENCE**

Sections 173.005, RSMo, through 173.750

**RECOMMENDATION**

Staff recommend approval of the budget requests described above and in the accompanying attachment for submission to the Governor and General Assembly.

**ATTACHMENTS**

Attachment A: Listing of Additional Unchanged Core Items