

AGENDA ITEM SUMMARY

AGENDA ITEM

Recommendations for MDHE Operating and Student Financial Assistance Appropriations
Coordinating Board for Higher Education
September 3, 2015

DESCRIPTION

Staff recommendations for the FY17 internal operating appropriation request for the Department of Higher Education and the state student financial assistance programs are included in this section. 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.

A. Coordination

1. Administration

FY16 Core Appropriation	\$1,159,903 (20.61 FTE)
FY17 Core Request	\$1,068,034 (20.61 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 455,000 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. A core reduction of (\$91,869) is recommended to align spending authority with need.

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.

2. Program Distribution

a. Midwest Higher Education Compact

FY16 Core Appropriation	\$115,000
FY17 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 \$64 million in savings since 1994. For academic year 2012-2013, Missouri institutions saved nearly \$6.4 million dollars as a result of MHEC membership.

b. Improving Teacher Quality Grant (formerly known as the Eisenhower Program)

FY16 Core Appropriation	\$1,783,999	(1.50 FTE)
FY17 Core Request	\$1,248,045	(1.00 FTE)

The core appropriation of \$1,248,045 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. A core reduction of excess authority of \$535,954 and 0.50 FTE will bring the appropriation more in line with actual grant awards.

c. Proprietary Schools Certification Fund

FY16 Core Appropriation	\$303,936	(5.0 FTE)
FY17 Core Request	\$303,936	(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. In FY17, a core reallocation of \$20,000 from EE to PS will allow for full use of the 5.0 FTE in the appropriation.

d. Proprietary School Bond Fund

FY16 Core Appropriation	\$400,000
FY17 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 (increased from \$25,000 by HB 1042 in 2012.) This appropriation is necessary to ensure the use of those monies for indemnification purposes in cases of malfeasance by a proprietary school.

e. Federal and Donated Funds

FY16 Core Appropriation	\$1,876,000
FY17 Core Request	\$1,000,000

This appropriation provides MDHE with spending authority for federal grants received by the agency.

In FY16, the department received appropriations for two opportunities which may have resulted in a need for additional federal spending authority, had funding been awarded. However, the Teacher Quality Partnership program did not announce a competitive opportunity in FY16, and has not indicated to the department its intent for FY17. The second opportunity, First in the World, did release an announcement in mid-May; however, the department was unable to successfully apply through its system by the submittal due date. The department is core cutting the additional authority received for these two programs. Because of the timing of the actual announcement for First in the World, the department believes the \$1,000,000 core authority would suffice in FY17, and if awarded, would proceed with a new decision item for FY18.

f. Other Grants/Donations

FY16 Core Appropriation	\$97,900 (1.0 FTE)
FY17 Core Request	\$97,900 (1.0 FTE)
FY17 New Decision Item (increased authority)	To be determined

This appropriation provides MDHE with spending authority for the Multi-State Collaborative for Military Credit, and Multi-State Collaborative to Advance Learning Outcomes Assessment; an initiative designed to provide meaningful evidence about how well students are achieving important learning outcomes.

g. New Decision Items

To be determined.

B. Financial Assistance and Outreach

1. Program Distribution

a. Academic Scholarship Program (Bright Flight)

FY16 Core Transfer Appropriation	\$17,676,666
FY17 Core Transfer Request	\$17,676,666
FY16 Supplemental (authority only)	To be determined
FY17 New Decision Item (authority/transfer)	To be determined

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.

A supplemental appropriation will be needed in order to maintain awards at the \$3,000 level for FY16. In addition, an increase in the appropriation for FY17 is needed in order to accommodate program growth. Additional information will be provided at the September board meeting once direction concerning supplemental and NDI requests is received from the Office of Budget and Planning.

b. Access Missouri Financial Assistance Program

FY16 Core Transfer Appropriation	\$59,682,507
FY17 Core Transfer Request	\$59,682,307
FY17 New Decision Item (authority/transfer)	To be determined

The Access Missouri Financial Assistance Program provides assistance to students who demonstrate financial need based on an annual evaluation of the applicant's expected family contribution and meet the other statutory eligibility requirements for this scholarship. 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 substantial increase in award amounts for this program was possible for FY16. MDHE staff believe it essential to continue to increase funding for this program in order to allow it to fulfill its goals to assist the neediest students in affording postsecondary education. Additional information will be provided at the September board meeting once direction concerning NDI requests is received from the Office of Budget and Planning.

c. A+ Schools Program

FY16 Core Transfer Appropriation	\$35,113,326
FY17 Core Transfer Request	\$35,113,326
FY17 New Decision Item (authority/transfer)	To be determined

The A+ Scholarship component of the A+ School Improvement Program was transferred from the Department of Elementary and Secondary Education to MDHE with Executive Order 10-16 during the 2010 legislative session. The A+ Scholarship, which provided approximately \$35 million in FY16, reimburses tuition and general fees for students who attend A+ designated high schools for three years prior to graduation. While in high school the students must meet certain eligibility criteria, including maintenance of a 2.5 grade point average and a 95 percent attendance record, as well as 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 a participating public community college, public vocational or technical school, or two-year private vocational or technical school that meets statutory requirements. Students must attend full-time and maintain a 2.5 grade point average at the postsecondary level.

It is unclear from current estimates if the core program appropriation is sufficient to provide full reimbursement to all eligible students. MDHE has worked with institutions to address this issue but we continue to refine the estimates.

Additional information will be provided at the September board meeting once direction concerning NDI requests is received from the Office of Budget and Planning.

d. Advanced Placement Incentive Grant Program, Public Service Officer's Survivor Grant Program, Vietnam Veteran Survivor Grant Program, Wartime Veteran's Survivor Grant Program, Minority Teaching Student Scholarships and Marguerite Ross Barnett Scholarship Program

FY16 Total Core Appropriation	\$1,200,250
FY17 Core Request	\$1,200,250
FY17 New Decision Item (authority/transfer)	To be determined

Beginning with the FY13 budget, the Advanced Placement Incentive Grant, the Public Service Survivor Grant Program, the Veteran's Survivor Grant Program, the Minority Teaching Scholarship Program, the Vietnam Veterans Survivor Scholarship Program and the Marguerite Ross Barnett Scholarship Program were 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 in recent years than available funding.

The Advanced Placement Incentive Grant was established in HB 223/231 during the 2011 legislative session. This 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 FY15, 21 students received grants through this program. Funding for the grant 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 FY15, 14 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 paid at the institution which the student attends.

The Vietnam Veteran Survivor Grant provides educational grants to eligible survivors of certain Vietnam veterans. In FY15, three students received this grant. To be eligible, an applicant must be a child or spouse of a deceased veteran who served in the military in Vietnam or the war zone in Southeast Asia and who was a Missouri resident when first entering military service and at the time of death.

The authorizing section for this grant sunsets on December 31, 2015. The department recommends a transfer of the \$50,000 authority to the Marguerite Ross Barnett Scholarship Program.

The Wartime Veteran's Survivor Grant was established by HB 1678 (2008) 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 FY15, nine individuals received this grant. The law allows for a maximum of 25 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 Minority Teaching Student Scholarships provide \$2,000 scholarships to Missouri minority high school graduates and college students who enter and make a commitment to pursue a teacher education degree and meet certain academic standards. The scholarship is converted to a loan if recipient does not fulfill the obligation to become a certified teacher and teach for five years in a Missouri public school district. Once converted, the loans must be repaid, with interest, within two years. Based on current application numbers, it is anticipated that approximately 20 awards per year will continue to be made through this program.

The Marguerite Ross Barnett Memorial Scholarship Program is the only state-funded scholarship available for part-time students. The scholarship is especially important for individuals already in the workplace seeking to upgrade skills. During FY15, 280 students were served by the program, which continues the recent situation where all eligible applicants received assistance. The scholarship is need-based and is calculated using the Federal Needs Analysis Formula.

e. The Kids' Chance Scholarship Program

FY16 Core Appropriation	\$15,000
FY17 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 FY15, three students received scholarships under this program.

f. Minority and Underrepresented Environmental Literacy Program

FY16 Core Appropriation	\$32,964
FY17 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 nine students in FY15.

g. Advantage Missouri Program

FY16 Core Appropriation	\$15,000
FY17 Core Request	\$15,000

This appropriation is required to occasionally make refunds to students who participated in the Advantage Missouri Loan and Loan Forgiveness Program, entered into repayment of the Advantage award and eventually overpaid their obligation.

h. Gear Up Scholarship Return

FY16 Core Appropriation	\$4,000,000
FY17 Core Request	\$0

In FY17, a core reduction is requested for the GEAR-Up Scholarship Program as a result of having returned remaining grant funds during FY16. The grant program has ended.

i. Nurse Incentive Grant

FY16 Core Appropriation	\$0
FY17 New Decision Item	To be determined

This request, if approved, will be used to award competitive grants from the Board of Nursing Fund to eligible higher education institutions based on parameters set forth by the State Board of Nursing in conjunction with the MDHE to enhance and expand nursing education programs. The prior version of this program limited grants to \$150,000 and no campus could receive more than one grant per year. Additional information will be provided at the September board meeting once direction concerning NDI requests is received from the Office of Budget and Planning.

C. Missouri Student Loan Program (Federal Funds)

1. Administration

FY16 Core Appropriation	\$10,488,000 (52.09 FTE)
FY17 Core Request	\$10,488,000 (52.09 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 \$1.9 billion. The core request is from the Guaranty Agency Operating Fund. No general revenue funds are requested.

2. Guaranty Functions

a. Student Loan Revolving Fund

FY16 Core Appropriation	\$170,000,000
FY17 Core Request	\$170,000,000

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.

b. Collection Agency Invoicing

FY16 Core Appropriation	\$8,000,000
FY17 Core Request	\$8,000,000

The department requires that all collection agencies transmit all collections to MDHE and then submit invoices for their fees. Continued authority in the amount of \$8,000,000 is needed for this purpose.

c. Federal 48-hour Rule Reimbursement

FY16 Core Appropriation	\$500,000
FY17 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.

d. Transfer Appropriations

From Federal Student Loan Reserve Fund and one-time transfer in FY16 from U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Interest Account Fund to Guaranty Agency Operating Fund

FY16 Core Appropriation	\$15,000,100
FY17 Core Request	\$15,000,000

From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund

FY16 Core Appropriation	\$1,000,000
FY17 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 FY13 to account for the removal of the estimated appropriation designation previously used on this line.

e. Tax Refund Offsets

FY16 Core Appropriation	\$750,000
FY17 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.

STATUTORY REFERENCE

Authority granted under Sections 173.005, RSMo, through 173.750

RECOMMENDED ACTION

It is recommended that the Coordinating Board approve the FY17 MDHE internal budget and student financial assistance appropriation request, as presented, for submission to the Governor and General Assembly.

ATTACHMENT(S)

None

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