

AGENDA ITEM SUMMARY

AGENDA ITEM

Recommendations for MDHE Operating and Student Financial Assistance Appropriations
Coordinating Board for Higher Education
September 5, 2012

DESCRIPTION

Staff recommendations for the Fiscal Year 2014 internal operating appropriation request for the Department of Higher Education and the state student financial assistance programs are included in this section.

A. Coordination

1. Administration

FY13 Core Appropriation	\$1,281,461 (22.58 FTE)
FY14 Core Request	\$1,142,040 (19.61 FTE)
FY14 New Decision Item	\$408 (Pay Plan)
FY14 New Decision Item	<i>To be determined</i>

(Out-of-State Program Approval Fees)

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 more than 461,000 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 on P-20 initiatives and administration of the proprietary school certification program.

This appropriation also includes the Quality Improvement Revolving Fund that allows the collection of revenue on a cost-recovery basis from workshops and conferences provided by the 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 reduction in the FY14 request reflects a fund switch for 2.97 FTE regarding the Proprietary Schools Certification Program. The positions are currently funded through general revenue, but will be funded directly by certification fees paid by proprietary schools into the Proprietary Schools Certification Program Fund established by HB 1042 (2012).

The new decision item for \$408 reflects new money required to continue the 2 percent salary increase pay plan approved for the entirety of FY14 for employees making less than \$70,000 annually.

The CBHE is authorized by HB 1042 (2012) to charge and collect fees from out-of-state public institutions for the cost of reviewing and assuring the quality of programs offered by such institutions. The MDHE plans to request a new decision item in FY14 reflective of the fees anticipated to be collected under this authority to support this function. However, fees have not been set at this time. As such, the amount of this new decision item is yet to be determined.

2. Program Distribution

a. Midwest Higher Education Compact

FY13 Core Appropriation	\$95,000
FY14 Core Request	\$95,000

Section 173.700, RSMo, authorizes Missouri's membership in the Midwestern Higher Education Compact, naming the CBHE as the administrative agent. All of Missouri's public two- 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 out-of-state institutions at 150 percent of the resident student tuition rates. Other cost-saving programs are available for property insurance, computer hardware and software, student health insurance, and pharmacy benefits. Missouri, which was one of the original founding states of MHEC, has realized over \$52.4 million in savings since 1990.

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

FY13 Core Appropriation	\$1,782,422	(1 FTE)
FY14 Core Request	\$1,782,422	(1 FTE)
FY14 New Decision Item	\$29	(Pay Plan)

The core appropriation of \$1,782,422 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. In FY13, the CBHE will utilize 1.0 FTE for this program.

The new decision item for \$29 reflects new money required to continue the 2 percent salary increase pay plan approved for the entirety of FY14 for employees making less than \$70,000 annually.

c. Proprietary Schools Certification Fund

FY14 New Decision Item

To be determined

(Proprietary Certification Fund Switch)

The Proprietary Schools Certification Fund was created in HB 1042 (2012) as a fund into which fees paid under the program by proprietary institutions could be directed. This, coupled with a change in the fee structure associated with the program, is expected to negate the need for a general revenue appropriation to support the program while offering the means to hire additional staff to better serve institutions subject to certification requirements. This new decision item amount will reflect this fund switch for 2.97 FTE previously funded by general revenue under Coordination – Administration (A1 above) in addition to \$100 in new money necessary to continue the FY13 pay plan for the entirety of FY14 for those employees. The amount requested will also reflect the addition of 1.99 FTE to allow for the proper functioning of the program.

d. Proprietary School Bond Fund

FY13 Core Appropriation	\$100,000
FY14 Core Request	\$100,000
FY14 New Decision Item	\$100,000

Section 173.612, RSMo, requires each proprietary school to file a security deposit with the 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. The MDHE holds a security deposit from each proprietary school with a minimum of \$5,000 and new 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.

The new decision item of \$100,000, to bring the total appropriation from this fund requested in FY14 to \$200,000, reflects the increased maximum security deposit required of proprietary institutions by HB 1042 discussed above.

e. Federal and Donated Funds

FY13 Core Appropriation	\$2,000,000
FY14 Core Request	\$2,000,000

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

f. College Access Challenge Grants

FY13 Core Appropriation	\$3,000,000
FY14 Core Request	\$3,000,000

The federal College Access Challenge Grant (CACG), enacted in the fall of 2007 by Congress as part of the College Cost Reduction and Access Act, is being used by MDHE to assist and support successful strategies to increase the participation of underserved populations in Missouri postsecondary education. The first cycle of the program ended in FY11. The Health Care and Education Reconciliation Act of 2010 extended the CACG program until Federal Fiscal Year 2014 and increased the level of funding for the program to \$150 million per year. Although the grant has been extended through FY15 for MDHE, the length of the MDHE's award is uncertain as funding is awarded annually.

The MDHE will use the grant to implement a three-pronged approach aimed at increasing the rates of Missourians who attend and succeed in higher education. The activities are focused on increasing financial literacy, establishing a statewide college access network, and awarding competitive grants to build and strengthen outreach activities.

g. Nursing Education Grants

FY13 Core Appropriation	\$1,000,000
FY14 Core Request	\$1,000,000

This appropriation 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 MDHE to enhance and expand nursing education programs. Grant award amounts shall not exceed \$150,000 and no campus shall receive more than one grant per year.

B. Financial Assistance and Outreach

1. Program Distribution

a. Academic Scholarship Program (Bright Flight)

FY13 Core Appropriation	\$13,269,250
FY14 Core Request	\$13,269,250

The Missouri Higher Education Academic Scholarship Program (commonly known as Bright Flight) provides scholarships to students who have a composite score in the top 5 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 3 percent of test takers, and \$1,000 for students in the top 4th and 5th percentiles. The top 3 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. FY11 was the first year of implementation of the statutory expansion of this program beyond \$2,000 for the top 3 percent of test takers, and there was a need for additional funding to continue to provide the awards established in law. However, this increase has not been funded. There was a \$2 million

expenditure restriction placed on this program for FY12 and carried forward in the TAFP budget for FY13.

b. Access Missouri Financial Assistance Program

FY13 Core Appropriation	\$62,827,307
FY14 Core Request	\$62,827,307

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. There was a \$2 million expenditure restriction placed on this program for FY12 and carried forward in the TAFP budget for FY13.

c. A+ Schools Program

FY13 Core Appropriation	\$33,000,000
FY14 Core Request	\$33,000,000

The A+ Scholarship component of the A+ School Improvement Program was transferred from the Department of Elementary and Secondary Education to the MDHE with Executive Order 10-16 during the 2010 legislative session. The A+ Scholarship, which provided approximately \$29 million in FY12, 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. Spending authority for the program was increased in FY13 by approximately \$3.5 million when the General Assembly removed estimated appropriation designations from many appropriations bills. This increase in spending authority, however, was not accompanied by a corresponding funds transfer and, therefore, represented no new money for the program. In FY13, \$4 million of the appropriation was a transfer from the Guaranty Agency Operating Fund which may not be able to provide that funding in FY14.

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

FY13 Total Core Appropriation	\$1,063,625
FY14 Core Request	\$1,063,625

During the FY13 budget process, 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 with a total appropriation of \$1,063,625. This will allow 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. No changes were made to the amounts appropriated for the individual scholarship programs.

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 (3) or higher on advanced placement tests in mathematics or science while attending a Missouri public high school. A \$1 million donation was received by MOHELA to fund this grant.

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. For FY13, it is projected that 20 students will be 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. For FY13, staff projects seven students will receive 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. Grant recipients must enroll full-time in programs leading to a certificate, associate degree or baccalaureate degree at an approved Missouri postsecondary institution. The maximum grant award is the lower of the actual tuition charged a full-time student at the approved institution where the eligible survivor is enrolled or the average amount of tuition charged for a full-time Missouri resident at the four regional institutions.

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. 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 50 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 FY12, 169 students were served by the program. The scholarship is need-based and is calculated using the Federal Needs Analysis Formula.

e. The Kids' Chance Scholarship Program

FY13 Core Appropriation	\$27,750
FY14 Core Request	\$27,750

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. Based on the award level offered by the Kids' Chance of Missouri board (the private organization that prompted this scholarship and with which the MDHE cooperates in operating this program), funding will be available in FY14 for approximately 10 scholarships for eligible students.

f. Minority and Underrepresented Environmental Literacy Program

FY13 Core Appropriation	\$82,964
FY14 Core Request	\$82,964

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 is projected to serve approximately 12 students for FY14.

g. Advantage Missouri Program

FY13 Core Appropriation	\$15,000
FY14 Core Request	\$15,000

This appropriation is required to occasionally make refunds to students who had 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 Program Scholarships

FY13 Core Appropriation	\$450,000
FY14 Core Request	\$450,000

The MDHE was awarded a federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) grant in 1999, which was intended to help improve the educational attainment of Missouri citizens. The in-school components of the program were completed in 2008 and the remaining function is a scholarship program for eligible students who participated in program activities at GEAR UP high schools. Students are eligible to receive GEAR UP scholarships based on high school performance and financial need. This appropriation allows the MDHE to award scholarships to the approximately 70 students in the program.

C. Missouri Student Loan Program (Federal Funds)

1. Administration

FY13 Core Appropriation	\$11,438,124 (52.09 FTE)
FY14 Core Request	\$11,438,124 (52.09 FTE)
FY14 New Decision Item	\$1,322 (Pay Plan)

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 \$2.7 billion. The core request is from the Guaranty Agency Operating Fund. No general revenue funds are requested.

The new decision item for \$1,322 reflects new money required to continue the 2 percent salary increase pay plan approved for FY13 for the entirety of FY14 for employees making less than \$70,000 annually.

2. Guaranty Functions

a. Student Loan Revolving Fund

FY13 Core Appropriation	\$200,000,000
FY14 Core Request	\$200,000,000

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.

Spending authority for this line was increased by the legislature in FY13 to account for the removal of the estimated appropriation designation previously used on this line. The increase of \$55,000,000 in this line in FY13 over FY12 did not reflect any new money for the line.

b. Collection Agency Invoicing

FY13 Core Appropriation	\$8,000,000
FY14 Core Request	\$8,000,000

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

Spending authority for this line was increased by the legislature in FY13 to account for the removal of the estimated appropriation designation previously used on this line. The increase of \$4,000,000 in this line in FY13 over FY12 did not reflect any new money for the line.

c. Federal 48-hour Rule Reimbursement

FY12 Core Appropriation	\$500,000
FY13 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 to Guaranty Agency Operating Fund

FY13 Core Appropriation	\$30,000,000
FY14 Core Request	\$30,000,000

From Guaranty Agency Operating Fund to Federal Student Loan Reserve Fund

FY13 Core Appropriation	\$1,000,000
FY14 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. The increase of \$22,000,000 in this line in FY13 over FY12 did not reflect any new money for the line.

e. Tax Refund Offsets

FY13 Core Appropriation	\$750,000
FY14 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.

Spending authority for this line was increased by the legislature in FY13 to account for the removal of the estimated appropriation designation previously used on this line. The increase of \$500,000 in this line in FY13 over FY12 did not reflect any new money for the line.

STATUTORY REFERENCE

Authority granted under Sections 173.005, RSMo, through 173.750

RECOMMENDED ACTION

It is recommended that the Coordinating Board approve the FY14 MDHE internal budget and student financial assistance appropriation request, as presented, for submission to the Governor and General Assembly.

ATTACHMENT(S)

None