

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2343-01
Bill No.: HB 1203
Subject: Higher Education; Federal-State Relations
Type: Original
Date: April 11, 2017

Bill Summary: This proposal requires the state to match federal funding for land grant institutions in this state and prohibits the state from seeking a waiver or requiring an institution to seek a waiver of the match obligation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$4,500,000)	(\$4,500,000)	(\$4,500,000)
Total Estimated Net Effect on General Revenue	(\$4,500,000)	(\$4,500,000)	(\$4,500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
University Funds	More than \$5,600,000	More than \$5,600,000	More than \$5,600,000
Total Estimated Net Effect on <u>Other</u> State Funds	More than \$5,600,000	More than \$5,600,000	More than \$5,600,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this legislation requires the state to match federal funding for land grant institutions in this state and prohibits the state from seeking a waiver or requiring an institution to seek a waiver of the match obligation.

Missouri has two land grant institutions – Lincoln University and the University of Missouri. According to information supplied to B&P by the Department of Higher Education, the required federal land grant match for Lincoln University is approximately \$7,000,000 and the land grant match for the University of Missouri is approximately \$16,000,000. These match requirements fluctuate from year to year.

While there would be no direct impact to Total State Revenue, to the extent additional appropriations are made for these purposes, this could reduce resources otherwise available for K-12 education, or other programs, in future years.

Officials at the **Department of Higher Education** assume there is no fiscal impact from this proposal.

Officials at the **Lincoln University** assume Lincoln University is an 1890 Land Grant institution that receives federal appropriations to carry out Extension and Research projects and services to a wide variety of areas including Jefferson City, St. Louis, Kansas City, Caruthersville, Sikeston and Charleston Missouri. Lincoln University is the only 1890 Land Grant institution in the state of Missouri. These resources provide extension services to the urban core of Missouri, an area of under-served populations including services for youth, elderly and small farmers. In addition, the resources provide dollars to support valuable agricultural and environmental research such as research on biochar.

Beginning in 2000, Lincoln University has been required to match the federal allocations with state dollars. The match began with a 30% match requirement and has increased each year to 100% in 2007. Since 2000, Lincoln University has been appropriated federal funding in the amount of \$103 million with a match requirement of \$91 million. According to the Code of Federal Regulations, CFR, Title 7, part 3419, the match required for federal allocations should be appropriated by the respective state to the land grant institution. In 2008, Lincoln University received an allocation of \$900,000 (gross) towards the federal match requirement. This allocation has been rolled into the core appropriation and has thus sustained cuts throughout the last nine years. In 2015, the state allocated an additional amount of \$500,000 (gross) that is in a

ASSUMPTION (continued)

separate line item. From 2000 to 2016, Lincoln University has had to reallocate \$43 million of its tuition and fee revenues to support this requirement. This is something that no other 4 year state institution has had to do, putting Lincoln University at a disadvantage. During the same time period, the state has provided only \$10.6 million. In the past years, USDA has allowed 1890 Land Grant institutions to submit waivers if they could not meet the match requirement. All institutions must match at least 50%. In the last 16 years, the university has had to return over \$11 million in federal dollars because it did not have matching resources.

While waiver approval by USDA is not guaranteed, Lincoln University has been successful at receiving waiver approvals in the past. However, USDA is discussing the consequences of states not providing the required support. Failure to provide the match support required, could result in the loss of all of the federal allocations. Lincoln University currently receives \$7 million in federal allocations that must be matched dollar for dollar. If those resources are lost by Lincoln University, those funds will then be lost to the State of Missouri and will be reallocated to other 1890 land grant institutions in other states.

The ultimate consequence of not funding the land grant match at Lincoln University is a loss of incoming federal revenue of \$7 million

Officials at the University of Missouri did not respond to **Oversight's** request for fiscal impact.

Oversight notes that according to the Department of Higher Education (DHE), Lincoln University's land grant match is broken out in the budget, while the University of Missouri's land grant match is not, it is contained within its core budget. Therefore, Oversight will assume that this proposal will not have a fiscal impact on the University of Missouri.

According to budget submissions for the DHE, Lincoln University has had to return federal allocations because the University has not received funding from the state as required in the CFR regulations. The amount of funds received were reported as:

10/1/2013 - 9/30/2014	\$ 395,251 (actual)
10/1/2014 - 9/30/2015	\$1,295,775 (estimated)
10/1/2015 - 9/30/2016	\$1,050,134 (estimated)
10/1/2016 - 9/30/2017	\$1,628,955 (estimated)

Four year average amount of federal funds returned during \$1,092,528 (rounded to \$1,100,000 in the fiscal note).

ASSUMPTION (continued)

Perfect House Bill 3 from 2017 contains an appropriation from the General Revenue Fund “for the purpose of funding the federal match requirement in the areas of agriculture extension and/or research” for \$2,500,000. Utilizing the estimate of \$7,000,000 that is required to fully be in compliance with the one-to-one match, Oversight will assume the state will need to appropriate an additional \$4,500,000 (\$7 million - \$2.5 million) to Lincoln University.

Also according to the DHE budget submission, the actual match amounts were:

FY 2014	\$ 0
FY 2015	\$485,000
FY 2016	\$485,000
FY 2017	\$889,163 (planned)

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Transfer Out</u> - increase in appropriation to Lincoln University to meet the 100% matching requirement for land grant requirement	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 Mo.)	FY 2019	FY 2020
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UNIVERSITY FUNDS

<u>Transfer In</u> - Lincoln University - from the state's General Revenue Fund for increase in funds for matching land grant requirements	\$4,500,000	\$4,500,000	\$4,500,000
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<u>Savings</u> - Lincoln University not utilizing tuition and fees to meet matching requirements	Unknown	Unknown	Unknown
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<u>Income</u> - Federal Funds to Lincoln University not returned for lack of matching state funds	<u>\$1,100,000</u>	<u>\$1,100,000</u>	<u>\$1,100,000</u>
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ESTIMATED NET EFFECT TO UNIVERSITY FUNDS	<u>More than \$5,600,000</u>	<u>More than \$5,600,000</u>	<u>More than \$5,600,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill requires the State of Missouri to appropriate matching moneys to all land grant institutions in the state in compliance with the one-to-one obligation established in the First Morrill Act of 1862 and the Second Morrill Act of 1890. The state is prohibited from seeking a waiver of such obligation.

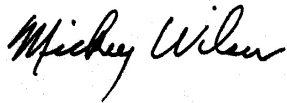
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Office of Administration
Division of Budget and Planning
Lincoln University

Not Responding

University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 11, 2017

Ross Strobe
Assistant Director
April 11, 2017