

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5040-01  
Bill No.: HB 1450  
Subject: Higher Education; General Assembly  
Type: Original  
Date: April 5, 2018

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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**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$4,600,000)	(\$4,600,000)	(\$4,600,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$4,600,000)</b>	<b>(\$4,600,000)</b>	<b>(\$4,600,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
University Funds	More than \$4,600,000	More than \$4,600,000	More than \$4,600,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>More than \$4,600,000</b>	<b>More than \$4,600,000</b>	<b>More than \$4,600,000</b>

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ 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 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Higher Education (DHE)** and **Office of Administration - Administrative Hearing Commission (AHC)** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration - Budget and Planning** assume 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.

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 \$7,100,000 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 revenues (TSR), 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 from the **University of Missouri System** state the required federal land grant match for the University of Missouri is approximately \$16,000,000 annually. The University of Missouri receives two primary types of federal appropriations: Smith Lever funds for Cooperative Extension programs and Hatch Act type funds for the Agricultural Experiment Station programs. Additionally, Extension and research within the College of Agriculture Food and Natural Resources are built on numerous other partnerships and grant funding beyond the federal land grant commitments. Please note the following items:

- The majority of the funds the University receives require a 1:1 match.
- The amount of federal appropriations funding varies from year to year and the resulting required match also varies. The federal fiscal year runs October 1 through September 30th.
- The approximately \$16 million in match needed does not include the matching requirements on federal grants and contracts that the University receives to help support its Cooperative Extension and Agricultural Experiment Station programs.

ASSUMPTION (continued)

Officials from **Lincoln University** state the following:

History

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 underserved 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.

Funding

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 \$111 million with a match requirement of \$98 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, leaving a balance of \$790,320 for land grant match in the core. In 2015, the state allocated an additional amount of \$500,000 (gross) with an increase to \$2.5 million in FY18. 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. Lincoln University cannot afford to reallocate those funds any longer. During the same time period, the state has provided only \$13.4 million. In the past, 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 \$12 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 \$7.1 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.

ASSUMPTION (continued)

Consequences

Lincoln University states the ultimate consequence of not funding the land grant match at Lincoln University is a loss of incoming federal revenue of \$7.1 million and the resulting elimination of services to the affected communities in Missouri.

**Oversight** notes, according to budget submissions for 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 university is required to match at 100%, however, the university can apply for a waiver. If the waiver is approved, the minimum match is 50%. If the institution cannot meet the 50% match requirement, a portion of the funds above that amount must be returned. The amount of federal funds returned are noted in the table below:

Table I: Lincoln University Federal Funds Returned (Federal Fiscal Year)

	FY 2018	FY 2017	FY 2016	FY 2015
<b>Federal Funds Returned</b>	\$344,867*	\$2,190,668*	\$1,050,134*	\$1,295,775

\*Projected

Table II: Lincoln University Land Grant State Appropriations (State Fiscal Year)

	FY 2018	FY 2017	FY 2016	FY 2015
<b>State Appropriations (TAFP)*</b>	\$2,500,000	\$2,000,000	\$500,000	\$500,000

\*Does not include expenditure restrictions or withholds.

**Oversight** notes the Perfected HCS for HB 2003 as amended 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 for Lincoln University. Utilizing the maximum federal land grant match of \$7,100,000, Oversight assumes the state will need to appropriate an additional \$4,600,000 (\$7.1 million - \$2.5 million) to Lincoln University.

**Oversight** notes University of Missouri does not receive a line item appropriation for the land grant match; however, per DHE, it is included in the core funding. Oversight assumes the state is currently meeting the proposed requirement to match land grant funds for the University of Missouri.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - increase in appropriation to Lincoln University to meet the 100% match for land grant requirement	<u>(\$4,600,000)</u>	<u>(\$4,600,000)</u>	<u>(\$4,600,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$4,600,000)</u></b>	<b><u>(\$4,600,000)</u></b>	<b><u>(\$4,600,000)</u></b>
<b>UNIVERSITY FUNDS</b>			
<u>Transfer In</u> - Lincoln University - from the state's General Revenue Fund for matching land grant requirements	\$4,600,000	\$4,600,000	\$4,600,000
<u>Savings</u> - Lincoln University not utilizing tuition and fees to meet matching requirements	Unknown	Unknown	Unknown
<u>Revenue</u> - Federal Funds to Lincoln University for matching land grant funds	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON UNIVERSITY FUNDS</b>	<b><u>More than \$4,600,000</u></b>	<b><u>More than \$4,600,000</u></b>	<b><u>More than \$4,600,000</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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 - Budget and Planning  
University of Missouri System  
Lincoln University

Ross Strobe



Acting Director  
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