HB 742 -- Higher Education Student Funding Act

Sponsor: Bearden

This bill changes the laws regarding state funding of higher education. By August 28, 2006, the Department of Higher Education is required to do a study of financial aid programs recommending necessary changes to the law for the 2007 legislative session and implementing changes by January 1, 2008, and report the results to the Governor, General Assembly, and the Joint Committee on Higher Education. The review assumes, but does not mandate, that the A+ Program would be a model for the first two years of any financial aid program, with Bright Flight as the model for a merit-based component and the Gallagher Program as the model for need-based aid. Aid should be portable, and no combination of forms of aid that contains state aid should result in more than the actual costs. Public institutions must disclose the amount of aid coming from non-state sources. When per-student funding becomes effective, 20% of any additional revenues must be directed to increased financial aid, with 75% of that amount going to need-based aid.

Beginning July 1, 2006, the Coordinating Board for Higher Education will provide certain services through fee-for-services contracts, including services in rural areas, delivery of basic courses prerequisite for post-secondary work, services needed to meet reciprocal agreements, and services to increase economic development opportunities. These contracts will not increase the per-student reimbursement rate and must be consistent with performance contracts. The board will make funding recommendations that take fee-for-service contracts into account.

When state higher education operating appropriations reach their Fiscal Year 2002 level, public institutions will qualify for additional funding only if they establish performance measures; establish performance contracts predicated on the performance measures; and, where applicable, establish fee-for-services contracts for non-self-supporting programs. The bill contains instructions for notice to the Revisor of Statutes of the fulfillment of contingencies.

Upon the bill’s effective date, higher education services to students will be reimbursed by the state at a rate per student for the first two years and a different rate for the second two years, as established by the board in conjunction with the institutions. The first two-years’ rate will be no more than the lowest community college tuition, and the second two-years’ rate will be no more than the lowest tuition charged at a public four-year institution. The board will annually request additional funding for inflation and for unfunded enrollment growth, as specified in the bill.

Performance contracts of up to five years, based on improving access, quality, efficiency, and addressing state needs, must be entered into by public higher education institutions and by any qualified private institution providing services under a fee-for-services contract. Performance contracts will exempt an institution from certain purchasing regulations and from academic program approval, as long as the programs fit the institution’s mission. Proposed tuition increases must be reported to the board.

The bill also establishes the Joint Committee on Higher Education with 14 members, to meet at least every two years, beginning in 2006. The committee will review the progress of higher education reform and conduct studies, as it deems necessary, on higher education finance in order to make recommendations to the General Assembly.