SECOND REGULAR SESSION

[PERFECTED]

HOUSE BILL NO. 1390

97TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES THOMSON (Sponsor), SWAN, WALKER, LICHTENEGGER, MORRIS, FITZWATER AND ROWDEN (Co-sponsors).

5049L.01P D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal sections 163.191, 173.1006, and 178.638, RSMo, and to enact in lieu thereof four new sections relating to allocation of core-funding increases in state funding for public institutions of higher education.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 163.191, 173.1006, and 178.638, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 163.191, 173.1006, 173.1540, and 178.638, to read as follows:

163.191. 1. **As used in this section, the following terms shall mean:**

(1) "Community college", an institution of higher education deriving financial resources from local, state, and federal sources, and providing postsecondary education primarily for persons above the twelfth grade age level, including courses in:

(a) Liberal arts and sciences, including general education;

(b) Occupational, vocational-technical; and

(c) A variety of educational community services.

Community college course offerings lead to the granting of certificates, diplomas, or associate degrees, but do not include baccalaureate or higher degrees;

(2) "Operating costs", all costs attributable to current operations, including all direct costs of instruction, instructors' and counselors' compensation, administrative costs, all normal operating costs and all similar noncapital expenditures during any year,

EXPLANATION — Matter enclosed in bold-faced brackets **[**thus**]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

excluding costs of construction of facilities and the purchase of equipment, furniture, and other capital items authorized and funded in accordance with subsection 6 of this section. Operating costs shall be computed in accordance with accounting methods and procedures to be specified by the department of higher education;

(3) "Year", from July first to June thirtieth of the following year.

2. Each year public community colleges in the aggregate shall be eligible to receive from state funds, if state funds are available and appropriated, an amount up to but not more than fifty percent of the state community colleges' planned operating costs as determined by the department of higher education. **[**As used in this subsection, the term "year" means from July first to June thirtieth of the following year. As used in this subsection, the term "operating costs" means all costs attributable to current operations, including all direct costs of instruction, instructors' and counselors' compensation, administrative costs, all normal operating costs and all similar noncapital expenditures during any year, excluding costs of construction of facilities and the purchase of equipment, furniture, and other capital items authorized and funded in accordance with subsection 2 of this section. Operating costs shall be computed in accordance with accounting methods and procedures to be specified by the department of higher education.**]** The department of higher education shall review all institutional budget requests and prepare appropriation recommendations annually for the community colleges under the supervision of the department. The department's budget request shall include a recommended level of funding.

3. (1) Except as provided in subdivision (2) of this subsection, distribution of appropriated funds to community college districts shall be in accordance with the community college resource allocation model. This model shall be developed and revised as appropriate cooperatively by the community colleges and the department of higher education. The department of higher education shall recommend the model to the coordinating board for higher education for their approval. The core funding level for each community college shall initially be established at an amount agreed upon by the community colleges and the department of higher education. This amount will be adjusted annually for inflation, limited growth, and program improvements in accordance with the resource allocation model starting with fiscal year 1993. **[**The department of higher education shall request new and separate state aid funds for any new districts for their first six years of operation. The request for the new districts shall be based upon the same level of funding being provided to the existing districts, and should be sufficient to provide for the growth required to reach a mature enrollment level.**]**

(2) Beginning in fiscal year 2016, at least ninety percent of any increase in core funding over the appropriated amount for the previous fiscal year shall be distributed in accordance with the achievement of performance-funding measures under section 173.1006.

4. The department of higher education will be responsible for evaluating the effectiveness of the resource allocation model and will submit a report to the **governor, the joint committee on education, the** speaker of the house of representatives and president pro tem of the senate by [November 1997] **October 31, 2019**, and every four years thereafter.

[2.] **5. The department of higher education shall request new and separate state-aid funds for any new community college district for its first six years of operation. The request for the new district shall be based upon the same level of funding being provided to the existing districts, and should be sufficient to provide for the growth required to reach a mature enrollment level.**

6. In addition to state funds received for operating purposes, each community college district shall be eligible to receive an annual appropriation, exclusive of any capital appropriations, for the cost of maintenance and repair of facilities and grounds, including surface parking areas, and purchases of equipment and furniture. Such funds shall not exceed in any year an amount equal to ten percent of the state appropriations, exclusive of any capital appropriations, to community college districts for operating purposes during the most recently completed fiscal year. The department of higher education may include in its annual appropriations request the necessary funds to implement the provisions of this subsection and when appropriated shall distribute the funds to each community college district as appropriated. The department of higher education appropriations request shall be for specific maintenance, repair, and equipment projects at specific community college districts, shall be in an amount of fifty percent of the cost of a given project as determined by the coordinating board and shall be only for projects which have been approved by the coordinating board through a process of application, evaluation, and approval as established by the coordinating board. The coordinating board, as part of its process of application, evaluation, and approval, shall require the community college district to provide proof that the fifty-percent share of funding to be defrayed by the district is either on hand or committed for maintenance, repair, and equipment projects. Only salaries or portions of salaries paid which are directly related to approved projects may be used as a part of the fifty-percent share of funding.

[3.] **7.** School districts offering two-year college courses pursuant to section 178.370 on October 31, 1961, shall receive state aid pursuant to [subsections 1 and 2] **subsection 2, subdivision (1) of subsection 3, and subsection 6** of this section if all scholastic standards established pursuant to sections 178.770 to 178.890 are met.

[4.] **8.** In order to make postsecondary educational opportunities available to Missouri residents who do not reside in an existing community college district, community colleges organized pursuant to section 178.370 or sections 178.770 to 178.890 shall be authorized pursuant to the funding provisions of this section to offer courses and programs outside the community college district with prior approval by the coordinating board for higher education. The classes conducted outside the district shall be self-sustaining except that the coordinating board shall promulgate rules to reimburse selected out-of-district instruction only where prior need has been established in geographical areas designated by the coordinating board for higher education.

Funding for such off-campus instruction shall be included in the appropriation recommendations, shall be determined by the general assembly and shall continue, within the amounts appropriated therefor, unless the general assembly disapproves the action by concurrent resolution.

[5. A "community college" is an institution of higher education deriving financial resources from local, state, and federal sources, and providing postsecondary education primarily for persons above the twelfth grade age level, including courses in:

(1) Liberal arts and sciences, including general education;

(2) Occupational, vocational-technical; and

(3) A variety of educational community services.

Community college course offerings lead to the granting of certificates, diplomas, and/or associate degrees, but do not include baccalaureate or higher degrees.

6.] **9.** When distributing state aid authorized for community colleges, the state treasurer may, in any year if requested by a community college, disregard the provision in section 30.180 requiring the state treasurer to convert the warrant requesting payment into a check or draft and wire transfer the amount to be distributed to the community college directly to the community college's designated deposit for credit to the community college's account.

173.1006. 1. [The following performance measures shall be established by July 1, 2008:

(1) Two institutional measures as negotiated by each public institution through the department of higher education; and

(2) Three statewide measures as developed by the department of higher education in consultation with public institutions of higher education.

One such measure may be a sector-specific measure making use of the 2005 additional Carnegie categories, if deemed appropriate by the department of higher education.

2. The department shall report to the joint committee on education established in section 160.254 on its progress at least twice a year in developing the statewide measures and negotiating the institution-specific measures and shall develop a procedure for reporting the effects of performance measures to the joint committee on education at an appropriate time for consideration during the appropriations process.] **The coordinating board for higher education has adopted institutional performance measures for each public four-year institution of**

higher education, each community college, and the state technical college in collaboration with the institutions that shall be used for performance funding under sections 163.191, 173.1540, and 178.638. Five institutional performance measures have been adopted for each institution.

2. The coordinating board shall evaluate and, if necessary, revise the institutional performance measures every three years beginning in calendar year 2019 or more frequently at the coordinating board's discretion.

3. The department of higher education shall be responsible for evaluating the effectiveness of the performance funding measures, including their effect on statewide postsecondary, higher education, and workforce goals, and shall submit a report to the governor, the joint committee on education, the speaker of the house of representatives and president pro tem of the senate by October 31, 2019, and every four years thereafter.

173.1540. 1. Annually each public four-year institution of higher education shall prepare an institutional budget request and submit it to the department of higher education. The department of higher education shall review all institutional budget requests and prepare appropriation recommendations annually for each public four-year institution of higher education.

2. The appropriation of core-funding increases in state funding to public four-year institutions of higher education shall be in accordance with the increase allocation model, subject to the parameters set forth in subsection 4 of this section. The increase allocation model shall be developed and revised as appropriate cooperatively by the public four-year institutions of higher education and the department of higher education. The department of higher education shall recommend the model to the coordinating board for higher education for its approval by October 31, 2014.

3. The core-funding level for each public four-year institution of higher education shall initially be the appropriated amount for each institution for fiscal year 2015. Increases under subsection 4 of this section shall be incorporated into the core-funding level annually in accordance with the increase allocation model starting with fiscal year 2016.

4. (1) The increase allocation model shall comply with the parameters of this subsection in allocating annual increases in core appropriations to public four-year institutions of higher education.

(2) No more than ten percent of any increase in core appropriations shall be distributed through any combination of the following:

(a) To address inequitable state funding determined on a per-student basis, as determined by calculating full-time equivalency or on such other basis as determined by

the department and agreed upon by the institutions. To the extent inequities result from an institution's performance on its performance funding measures adopted under section 173.1006, such inequities shall not be eligible for an allocation under this paragraph; and

(b) No more than ten percent of annual core-funding increases shall be distributed based on weighted full-time equivalent credit hours so as to provide enrollment, program offering, and mission sensitivity on an on-going basis.

(3) At least ninety percent of annual increases shall be distributed in accordance with the performance funding model adopted under section 173.1006.

5. The department of higher education shall be responsible for evaluating the effectiveness of the increase allocation model and shall submit a report to the governor, the joint committee on education, the speaker of the house of representatives and the president pro tem of the senate by October 31, 2019, and every four years thereafter.

178.638. **1.** State Technical College of Missouri shall be under the oversight of the coordinating board for higher education. The institution shall also be subject to oversight by the state board of education to the extent it serves as an area vocational technical school. Beginning in the first full state fiscal year subsequent to the approval of State Technical College of Missouri's plan by the coordinating board submitted pursuant to section 178.637, the state of Missouri shall, subject to appropriation, provide the funds necessary to provide the staff, cost of operation, and payment of all new capital improvements commencing with that fiscal year.

2. All funds designated for the institution shall be included in the coordinating board's budget request as provided in chapter 173, except that vocational technical education reimbursements shall continue to be requested through the state board of education.

3. Beginning with fiscal year 2016, at least ninety percent of any annual increase in core funding over the previous year shall be distributed in accordance with the performance-funding measures under section 173.1006.

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