

FIRST REGULAR SESSION

# HOUSE BILL NO. 668

## 100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE HELMS.

1593H.011

DANA RADEMAN MILLER, Chief Clerk

### AN ACT

To repeal sections 163.191 and 173.1540, RSMo, and to enact in lieu thereof two new sections relating to higher education funding.

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

Section A. Sections 163.191 and 173.1540, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 163.191 and 173.1540, to read as follows: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 shall generally lead to the granting of certificates, diplomas, or associate degrees, and may include baccalaureate degrees only when authorized by the coordinating board for higher education in circumstances where the level of education required in a field for accreditation or licensure increases to the baccalaureate degree level or, in the case of applied bachelor's degrees, the level of education required for employment in a field increases to that level, and when doing so would not unnecessarily duplicate an existing program, collaboration with a university is not feasible or the approach is not a viable means of meeting the needs of students and employers, and the institution has the academic and financial capacity to offer the program in a high-quality manner. Quality for such baccalaureate degree programs

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.

18 shall be evaluated at least in part by the delivery of upper-level coursework or competencies, and  
19 defined by accreditation or compliance with the Higher Learning Commission standards for  
20 bachelor's degrees;

21 (2) "Operating costs", all costs attributable to current operations, including all direct  
22 costs of instruction, instructors' and counselors' compensation, administrative costs, all normal  
23 operating costs and all similar noncapital expenditures during any year, excluding costs of  
24 construction of facilities and the purchase of equipment, furniture, and other capital items  
25 authorized and funded in accordance with subsection 6 of this section. Operating costs shall be  
26 computed in accordance with accounting methods and procedures to be specified by the  
27 department of higher education;

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

29 2. Each year public community colleges in the aggregate shall be eligible to receive from  
30 state funds, if state funds are available and appropriated, an amount up to but not more than fifty  
31 percent of the state community colleges' planned operating costs as determined by the department  
32 of higher education. The department of higher education shall review all institutional budget  
33 requests and prepare appropriation recommendations annually for the community colleges under  
34 the supervision of the department. The department's budget request shall include a  
35 recommended level of funding.

36 3. (1) Except as provided in subdivision (2) of this subsection, distribution of  
37 appropriated funds to community college districts shall be in accordance with the community  
38 college resource allocation model. This model shall be developed and revised as appropriate  
39 cooperatively by the community colleges and the department of higher education. The  
40 department of higher education shall recommend the model to the coordinating board for higher  
41 education for their approval. The core funding level for each community college shall initially  
42 be established at an amount agreed upon by the community colleges and the department of higher  
43 education. This amount will be adjusted annually for inflation, limited growth, and program  
44 improvements in accordance with the resource allocation model starting with fiscal year 1993.

45 (2) Unless the general assembly chooses to otherwise appropriate state funding,  
46 beginning in fiscal year 2016, at least ninety percent of any increase in core funding over the  
47 appropriated amount for the previous fiscal year shall be distributed in accordance with the  
48 achievement of performance-funding measures under section 173.1006.

49 4. The department of higher education shall be responsible for evaluating the  
50 effectiveness of the resource allocation model and shall submit a report to the governor, the joint  
51 committee on education, the speaker of the house of representatives and president pro tempore  
52 of the senate by October 31, 2019, and every four years thereafter.

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

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

76           7. School districts offering two-year college courses pursuant to section 178.370 on  
77 October 31, 1961, shall receive state aid pursuant to subsection 2, subdivision (1) of subsection  
78 3, and subsection 6 of this section if all scholastic standards established pursuant to sections  
79 178.770 to 178.890 are met.

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

89 recommendations, shall be determined by the general assembly and shall continue, within the  
90 amounts appropriated therefor, unless the general assembly disapproves the action by concurrent  
91 resolution.

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

97 **10. Notwithstanding subsections 2 and 3 of this section, the department of higher**  
98 **education shall prepare appropriation recommendations for fiscal year 2021 and all**  
99 **subsequent fiscal years by calculating the core funding level for each public community**  
100 **college in accordance with the formula outlined in subsection 11 of this section, subject to**  
101 **the method of phasing in the formula as described in subsection 12 of this section. The**  
102 **formula shall not affect the use of performance-based measures under section 173.1006 to**  
103 **determine increases in core funding.**

104 **11. Except as provided in subsection 12 of this section, to calculate core funding**  
105 **levels for purposes of preparing appropriation recommendations each year and**  
106 **distributing appropriated funds, the department of higher education shall determine the**  
107 **total amount appropriated for all public community colleges in the immediately preceding**  
108 **fiscal year and divide that amount among the community colleges on the basis of:**

109 (1) **The number of students enrolled in the community college in the most recent**  
110 **fiscal year. This factor shall receive a weight of approximately fifty percent;**

111 (2) **The percentage of graduates who were working in a field closely related to their**  
112 **educational program within one year of graduation for the most recent graduating class**  
113 **for which data is available. This factor shall receive a weight of approximately thirty**  
114 **percent; and**

115 (3) **The percentage of graduates who earned a credential directly leading to**  
116 **employment in occupational areas of high demand in the state, as designated by the**  
117 **coordinating board for higher education in section 173.781, for the most recent graduating**  
118 **class for which data is available. This factor shall receive a weight of approximately**  
119 **twenty percent.**

120 **12. The department of higher education shall phase in use of the formula in**  
121 **subsection 11 of this section over a ten-year period by giving the formula a weight of ten**  
122 **percent in fiscal year 2021 in calculating core funding levels and increasing that weight by**  
123 **ten percent in each subsequent year until the formula is fully phased in. Once the formula**  
124 **is fully phased in, no adjustments to the core funding level shall be made for inflation,**

125 **limited growth, or program improvements in the manner described in subsection 3 of this**  
126 **section.**

127 **13. The annual appropriation in subsection 6 of this section shall be considered**  
128 **separately from the formula described in subsections 11 and 12 of this section.**

129 **14. The department of higher education shall promulgate rules to implement the**  
130 **provisions of this section. Any rule or portion of a rule, as that term is defined in section**  
131 **536.010, that is created under the authority delegated in this section shall become effective**  
132 **only if it complies with and is subject to all of the provisions of chapter 536 and, if**  
133 **applicable, section 536.028. This section and chapter 536 are nonseverable, and if any of**  
134 **the powers vested with the general assembly pursuant to chapter 536 to review, to delay**  
135 **the effective date, or to disapprove and annul a rule are subsequently held**  
136 **unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted**  
137 **after August 28, 2019, shall be invalid and void.**

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

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

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

17 4. (1) The increase allocation model shall comply with the parameters of this subsection  
18 in allocating annual increases in core appropriations to public four-year institutions of higher  
19 education.

20 (2) Unless otherwise provided by the general assembly during the appropriations process,  
21 no more than ten percent of any increase in core appropriations shall be distributed to address  
22 inequitable state funding through any combination of the following:

23 (a) Determined on a per-student basis, as determined by calculating full-time equivalency  
24 or on such other basis as determined by the department and agreed upon by the institutions. To  
25 the extent inequities result from an institution's performance on its performance funding  
26 measures adopted under section 173.1006, such inequities shall not be eligible for an allocation  
27 under this paragraph; and

28 (b) Distributed based on weighted full-time equivalent credit hours so as to provide  
29 enrollment, program offering, and mission sensitivity on an ongoing basis.

30 (3) Unless otherwise provided by the general assembly during the appropriations process,  
31 at least ninety percent of annual increases shall be distributed in accordance with the  
32 performance funding model adopted under section 173.1006.

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

37 **6. Notwithstanding subsections 1 to 4 of this section, the department of higher**  
38 **education shall prepare appropriation recommendations for fiscal year 2021 and all**  
39 **subsequent fiscal years by calculating the core funding level for each public four-year**  
40 **institution of higher education in accordance with the formula outlined in subsection 7 of**  
41 **this section, subject to the method of phasing in the formula as described in subsection 8**  
42 **of this section. The formula shall not affect the determination of increases to core funding**  
43 **as described in this section.**

44 **7. Except as provided in subsection 8 of this section, to calculate core funding levels**  
45 **for purposes of preparing appropriation recommendations each year, the department of**  
46 **higher education shall determine the total amount appropriated for all public four-year**  
47 **institutions of higher education in the immediately preceding fiscal year and divide that**  
48 **amount among the institutions on the basis of:**

49 **(1) The number of students enrolled in the institution in the most recent fiscal year.**  
50 **This factor shall receive a weight of approximately fifty percent;**

51 **(2) The percentage of graduates who were working in a field related to their**  
52 **educational program within one year of graduation for the most recent graduating class**  
53 **for which data is available. This factor shall receive a weight of approximately thirty**  
54 **percent; and**

55 **(3) The percentage of graduates who earned a degree directly leading to**  
56 **employment in occupational areas of high demand in the state, as designated by the**  
57 **coordinating board for higher education in section 173.781, for the most recent graduating**

58 class for which data is available. This factor shall receive a weight of approximately  
59 twenty percent.

60       8. The department of higher education shall phase in use of the formula in  
61 subsection 7 of this section over a ten-year period by giving the formula a weight of ten  
62 percent in fiscal year 2021 in calculating core funding levels and increasing that weight by  
63 ten percent in each subsequent year until the formula is fully phased in. Once the formula  
64 is fully phased in, increases under subsection 4 of this section shall not be incorporated into  
65 the core funding level.

66       9. The department of higher education shall promulgate rules to implement the  
67 provisions of this section. Any rule or portion of a rule, as that term is defined in section  
68 536.010, that is created under the authority delegated in this section shall become effective  
69 only if it complies with and is subject to all of the provisions of chapter 536 and, if  
70 applicable, section 536.028. This section and chapter 536 are nonseverable, and if any of  
71 the powers vested with the general assembly pursuant to chapter 536 to review, to delay  
72 the effective date, or to disapprove and annul a rule are subsequently held  
73 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted  
74 after August 28, 2019, shall be invalid and void.

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