

SENATE SUBSTITUTE
FOR
SENATE COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 437

AN ACT

To repeal section 163.191, RSMo, and to enact in lieu thereof eleven new sections relating to higher education.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Section 163.191, RSMo, is repealed and eleven
2 new sections enacted in lieu thereof, to be known as sections
3 163.191, 173.1500, 173.1505, 173.1510, 173.1515, 173.1520,
4 173.1525, 173.1527, 173.1529, 173.1530, and 173.1535, to read as
5 follows:

6 163.191. 1. Each year public community colleges in the
7 aggregate shall be eligible to receive from state funds, if state
8 funds are available and appropriated, an amount [up to but not
9 more than fifty percent] of the state community colleges' planned
10 operating costs as determined by the [department of] higher
11 education funding model under sections 173.1500 to 173.1535. As
12 used in this subsection, the term "year" means from July first to
13 June thirtieth of the following year. As used in this
14 subsection, the term "operating costs" means all costs
15 attributable to current operations, including all direct costs of
16 instruction, instructors' and counselors' compensation,

1 administrative costs, all normal operating costs and all similar
2 noncapital expenditures during any year, excluding costs of
3 construction of facilities and the purchase of equipment,
4 furniture, and other capital items authorized and funded in
5 accordance with subsection 2 of this section. Operating costs
6 shall be computed in accordance with accounting methods and
7 procedures to be specified by the department of higher education.
8 The department of higher education shall review all institutional
9 budget requests and prepare appropriation recommendations
10 annually for the community colleges under the supervision of the
11 department. The department's budget request shall include a
12 recommended level of funding. Distribution of appropriated funds
13 to community college districts shall be in accordance with the
14 [community college resource allocation model. This model shall
15 be developed and revised as appropriate cooperatively by the
16 community colleges and the department of higher education. The
17 department of higher education shall recommend the model to the
18 coordinating board for higher education for their approval. The
19 core funding level for each community college shall initially be
20 established at an amount agreed upon by the community colleges
21 and the department of higher education. This amount will be
22 adjusted annually for inflation, limited growth, and program
23 improvements in accordance with the resource allocation model
24 starting with fiscal year 1993] higher education funding model
25 established in sections 173.1500 to 173.1535, using the
26 calculation in subsection 1 of section 173.1515, with each
27 community college's appropriation calculated separately. The
28 department of higher education shall request new and separate

1 state aid funds for any new districts for their first six years
2 of operation. The request for the new districts shall be based
3 upon the same level of funding being provided to the existing
4 districts, and should be sufficient to provide for the growth
5 required to reach a mature enrollment level. [The department of
6 higher education will be responsible for evaluating the
7 effectiveness of the resource allocation model and will submit a
8 report to the speaker of the house of representatives and
9 president pro tem of the senate by November 1997, and every four
10 years thereafter.]

11 2. In addition to state funds received for operating
12 purposes, each community college district shall be eligible to
13 receive an annual appropriation, exclusive of any capital
14 appropriations, for the cost of maintenance and repair of
15 facilities and grounds, including surface parking areas, and
16 purchases of equipment and furniture. Such funds shall not
17 exceed in any year an amount equal to ten percent of the state
18 appropriations, exclusive of any capital appropriations, to
19 community college districts for operating purposes during the
20 most recently completed fiscal year. The department of higher
21 education may include in its annual appropriations request the
22 necessary funds to implement the provisions of this subsection
23 and when appropriated shall distribute the funds to each
24 community college district as appropriated. The department of
25 higher education appropriations request shall be for specific
26 maintenance, repair, and equipment projects at specific community
27 college districts, shall be in an amount of fifty percent of the
28 cost of a given project as determined by the coordinating board

1 and shall be only for projects which have been approved by the
2 coordinating board through a process of application, evaluation,
3 and approval as established by the coordinating board. The
4 coordinating board, as part of its process of application,
5 evaluation, and approval, shall require the community college
6 district to provide proof that the fifty-percent share of funding
7 to be defrayed by the district is either on hand or committed for
8 maintenance, repair, and equipment projects. Only salaries or
9 portions of salaries paid which are directly related to approved
10 projects may be used as a part of the fifty-percent share of
11 funding.

12 3. School districts offering two-year college courses
13 pursuant to section 178.370 on October 31, 1961, shall receive
14 state aid pursuant to subsections 1 and 2 of this section if all
15 scholastic standards established pursuant to sections 178.770 to
16 178.890 are met.

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

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

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

- 11 (1) Liberal arts and sciences, including general education;
- 12 (2) Occupational, vocational-technical; and
- 13 (3) A variety of educational community services.

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

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

25 173.1500. As used in sections 173.1500 to 173.1535, unless
26 the context requires otherwise, the following terms shall mean:

27 (1) "Associate's institution", an institution with a
28 Carnegie classification of associate's;

1 (2) "Baccalaureate institution", an institution with a
2 Carnegie classification of baccalaureate college;

3 (3) "Carnegie classification", an institutional
4 classification coding structure developed by the Andrew W.
5 Carnegie Foundation for the advancement of teaching, including
6 updates made in 2010;

7 (4) "Core operating expenditures", total expenditures for
8 the essential education activities of the institution, which
9 shall include the institution's expenditures for academic
10 support, institutional support, instruction, public service,
11 research, and student services;

12 (5) "Headcount", the sum of students enrolled for credit
13 during a twelve-month period with each student counted only once
14 during the reporting period, regardless of when the student
15 enrolled;

16 (6) "Institution" or "institution of higher education" or
17 "public institution" or "public institution of higher education",
18 any college or university established pursuant to chapter 172,
19 chapter 174, chapter 175, sections 178.631 to 178.640, or
20 sections 178.770 to 178.891;

21 (7) "Integrated Postsecondary Education Data System" or
22 "IPEDS", the system of interrelated educational data surveys
23 reported annually to the National Center for Education Statistics
24 of the United States Department of Education by every institution
25 participating in the federal student financial aid programs;

26 (8) "Master's classified institution", an institution with
27 a Carnegie classification of master's college or university;

28 (9) "Operating budget estimate", the dollar amount derived

1 from the calculation model in section 173.1515, containing the
2 calculated operating expenditures and performance funding for
3 which an institution is eligible under section 173.1520, which
4 form the basis for the line item operating appropriations for a
5 public institution;

6 (10) "Other institutional expenditures", expenditures which
7 are not included in core operating expenditures and therefore not
8 directly appropriated for through the major line item operating
9 appropriation, including but not limited to scholarships,
10 auxiliary enterprises, hospital services, and independent
11 operations;

12 (11) "Peer comparison group", the public institutions from
13 the peer states that are designated by the same Carnegie
14 classification as a Missouri institution's sector, with the
15 exception of Linn State Technical College;

16 (12) "Peer states", the group of ten states comprised of
17 the five states next higher than Missouri and the five states
18 next lower than Missouri, based on rank-ordering of all states
19 according to the Bureau of Economic Analysis based on the 2011
20 midyear population estimates of the census data for the per
21 capita personal income. The rank-ordering of all states
22 according to the Bureau of Economic Analysis using midyear
23 population estimates of the census data for the per capita
24 personal income shall be recalculated decennially based on the
25 previous census;

26 (13) "Pell threshold", the median value of the sector's
27 peer comparison group's rank ordered list of institutions'
28 percentage of students receiving a Pell grant;

1 (14) "Pell weight", the sum of one and the institution's
2 value over the Pell threshold;

3 (15) "Performance funding", that portion of the annual
4 operating budget estimate that is derived from applying the
5 institutional performance measures as approved by the
6 coordinating board for higher education to the percentage of
7 funding designated by the general assembly;

8 (16) "Research classified institution", an institution with
9 a Carnegie classification of a research university;

10 (17) "Sector", the designation of a public institution,
11 based on Carnegie classification, as associate's, baccalaureate,
12 master's, or research, with the exception of Linn State Technical
13 College, which is designated in the statewide technical education
14 institution sector;

15 (18) "Sector specific modifier", the median of the rank
16 ordered list of institutions in a sector peer comparison group
17 using, for each institution, the quotient of:

18 (a) Each institution's state appropriation; and

19 (b) The sum of academic support and institutional support
20 and instruction and public service and research and student
21 services;

22 (19) "Standardized rate per credit hour", the median value
23 of each peer comparison group's rank ordered list of rates per
24 credit hour using the quotient of:

25 (a) Each peer institution's instruction expenditure; and

26 (b) The number of each institution's unweighted student
27 credit hours;

28 (20) "Target funding level", the state share of the

operating budget estimate for institutions;

(21) "Weighted student credit hours", the product of an institution's number of completed credit hours and the appropriate weight assigned to such credit hours by section 173.1510.

173.1505. 1. The public institutions of higher education shall be categorized into sectors in the following manner:

(1) The associate's sector shall include the community colleges and the West Plains campus of Missouri State University;

(2) The statewide technical education institution sector shall include Linn State Technical College;

(3) The baccalaureate sector shall include Harris-Stowe State University, Missouri Southern State University, and Missouri Western State University;

(4) The master's sector shall include Lincoln University, Missouri State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, and the University of Central Missouri; and

(5) The research sector shall include the University of Missouri.

2. If the Carnegie classification of the public institutions change, the sectors identified in subsection 1 of this section shall be updated to reflect the change in Carnegie classification.

3. The peer comparison group for Linn State Technical College shall consist of peer institutions chosen by the coordinating board for higher education nationwide from state supported institutions with similar missions, degree programs,

certificates, and credentials offered.

173.1510. 1. All courses completed at a public institution of higher education shall be weighted based on their discipline and level.

2. Disciplines shall be divided into clusters in the following manner:

(1) Cluster 1 shall include:

(a) Basic skills;

(b) Citizenship activities;

(c) Communications, journalism and related programs;

(d) Communications technologies, communications technicians and support services;

(e) English language and literature and letters;

(f) Family and consumer sciences and human sciences;

(g) Foreign languages, literature, and linguistics;

(h) Health-related knowledge and skills;

(i) History;

(j) Interpersonal and social skills;

(k) Leisure and recreational activities;

(l) Liberal arts and sciences, general studies and humanities;

(m) Mathematics and statistics;

(n) Parks, recreation, leisure and fitness studies;

(o) Personal and culinary services;

(p) Personal awareness and self-improvement;

(q) Philosophy and religious studies;

(r) Psychology;

(s) Security and protective services;

1 (t) Social sciences;
2 (u) Technology education and industrial arts;
3 (2) Cluster 2 shall include:
4 (a) Area, ethnic, cultural and gender studies;
5 (b) Business, management, marketing and related support
6 services;
7 (c) Education;
8 (d) Military technologies;
9 (e) Physical sciences;
10 (f) Reserve officers training (ROTC);
11 (g) Science technology and technicians;
12 (h) Theology and religious vocation;
13 (i) Visual and performing arts;
14 (3) Cluster 3 shall include:
15 (a) Architecture and related services;
16 (b) Biological and biomedical sciences;
17 (c) Computer and information sciences and support services;
18 (d) Construction trades;
19 (e) Engineering technologies and technicians;
20 (f) Mechanic and repair technologies and technicians;
21 (g) Precision production;
22 (h) Public administration and social service professions;
23 (4) Cluster 4 shall include:
24 (a) Agriculture, agricultural operations and related
25 sciences;
26 (b) Agricultural sciences;
27 (c) All other health professions and related sciences not
28 otherwise identified in this subdivision;

- (d) Allied health and medical assisting;
- (e) Library sciences;
- (f) Multi- and interdisciplinary studies;
- (g) Natural resources and conservation;
- (h) Nursing;
- (i) Pharmacy;
- (j) Podiatric medicine (DPM);
- (k) Rehabilitation and therapeutic professions;
- (l) Transportation and materials moving;
- (5) Cluster 5 shall include:
 - (a) Engineering; and
 - (b) Legal professions and studies;
- (6) Cluster 6 shall include:
 - (a) Dentistry;
 - (b) Medicine (MD);
 - (c) Optometry (OD);
 - (d) Osteopathic medicine (DO);
 - (e) Veterinary medicine (DVM).

3. Course levels shall be divided in the following manner:

- (1) Lower division;
- (2) Upper division;
- (3) Master's or specialist;
- (4) First professional;
- (5) Doctoral.

4. The classification of a course as lower division or upper division shall be determined by the institution's classification and numbering of such course and shall be subject to the review and approval by the coordinating board for higher

education.

5. Weights for courses in the lower division shall be:

(1) Cluster 1, 1.00;

(2) Cluster 2, 1.51;

(3) Cluster 3, 1.84;

(4) Cluster 4, 2.19;

(5) Cluster 5, 3.34.

6. Weights for courses in the upper division shall be:

(1) Cluster 1, 1.50;

(2) Cluster 2, 2.26;

(3) Cluster 3, 2.76;

(4) Cluster 4, 3.28;

(5) Cluster 5, 5.01.

7. Weights for courses at the master's or specialist level

shall be:

(1) Cluster 1, 2.10;

(2) Cluster 2, 3.17;

(3) Cluster 3, 3.86;

(4) Cluster 4, 4.60;

(5) Cluster 5, 7.01.

8. Weights for courses at the first professional level

shall be:

(1) Cluster 4, 5.48;

(2) Cluster 5, 8.35;

(3) Cluster 6, 10.02.

9. Weights for courses at the doctoral level shall be:

(1) Cluster 1, 3.00;

(2) Cluster 2, 4.53;

1 (3) Cluster 3, 5.52;

2 (4) Cluster 4, 6.57;

3 (5) Cluster 5, 10.02.

4 10. The coordinating board for higher education shall have
5 authority to assign weights to courses based on discipline for
6 any discipline that is not addressed by this section. The
7 coordinating board shall assign such weight through the
8 promulgation of an administrative rule.

9 11. The coordinating board for higher education shall
10 review the disciplines, clusters, and weighting values every five
11 years and shall make recommendations to the general assembly on
12 their revision in academic year 2018-2019 and every five years
13 thereafter.

14 173.1515. 1. The state share of the operating budget
15 estimate for each institution shall be calculated as the product
16 of:

17 (1) The sum of the institution's totals for academic
18 support and institutional support and instruction and public
19 service and research and student services; and

20 (2) The sector-specific modifier.

21 2. Academic support shall be calculated as the product of:

22 (1) The sum of instruction and public service and research;
23 and

24 (2) An institution's sector peers' median percentage for
25 academic support expenditures relative to the sum of an
26 institution's expenditures for instruction and public service and
27 research.

28 3. Institutional support shall be calculated as the product

1 of:

2 (1) The sum of academic support and instruction and public
3 service and research and student services; and

4 (2) The sector peers' median percentage for institutional
5 support expenditures relative to expenditures in academic
6 support, instruction, public service, research, and student
7 services.

8 4. Instruction shall be calculated as the product of:

9 (1) The standardized rate per credit hour for the sector in
10 which an institution is classified; and

11 (2) Weighted student credit hours; and

12 (3) The institution's Pell weight, if any.

13 5. Public service shall be calculated as the product of:

14 (1) The median of the institution's sector peers' public
15 service expenditures by headcount; and

16 (2) The institution's headcount.

17 6. Research shall be calculated as the product of:

18 (1) The sponsored research expenditures incurred by the
19 institution in the prior fiscal year; and

20 (2) Twenty-five-hundredths.

21 7. Student services shall be calculated as the product of:

22 (1) The median of student services expenditures by
23 headcount for an institution's sector peers; and

24 (2) The institution's headcount.

25 173.1520. 1. When the general assembly appropriates funds
26 for public institutions of higher education during the
27 appropriations process, ten percent of each institution's funding
28 shall be earmarked and designated as performance funding and

1 shall be identified as a separate line item under that
2 institution in the higher education appropriations bill.

3 2. Performance funds shall be directed into the "Higher
4 Education Performance Fund".

5 3. The coordinating board for higher education shall
6 develop and adopt institutional performance measures for each
7 institution, in collaboration with the institutions, by July 1,
8 2014, that shall be used for purposes of this section. Five
9 institutional performance measures shall be adopted for each
10 institution. The coordinating board shall update and revise the
11 institutional performance measures every five years beginning in
12 academic year 2019-2020.

13 4. Annually, for an institution to receive the portion of
14 its funding that has been earmarked and designated as performance
15 funding, it shall satisfy the institutional performance measures
16 adopted by the coordinating board for higher education. If an
17 institution satisfies all of its institutional performance
18 measures, the coordinating board for higher education shall
19 authorize the release of the full amount of the institution's
20 funding that has been earmarked and designated as performance
21 funding. If an institution satisfies at least one, but not all,
22 of its institutional performance measures, the coordinating board
23 for higher education shall authorize the release of an amount of
24 funds equal to the product of:

25 (1) The quotient of the number of institutional performance
26 measures satisfied by the institution and five; and

27 (2) The amount of the institution's funds earmarked and
28 designated as performance funding.

1 5. There is hereby created in the state treasury the
2 "Higher Education Performance Fund", which shall consist of money
3 collected under this section. The coordinating board for higher
4 education shall administer the fund. The state treasurer shall
5 be custodian of the fund. In accordance with sections 30.170 and
6 30.180, the state treasurer may approve disbursements. The fund
7 shall be a dedicated fund and, upon appropriation, money in the
8 fund shall be used solely for the administration of this section.
9 Any moneys remaining in the fund at the end of the biennium shall
10 revert to the credit of the general revenue fund. The state
11 treasurer shall invest moneys in the fund in the same manner as
12 other funds are invested. Any interest and moneys earned on such
13 investments shall be credited to the fund.

14 6. The coordinating board for higher education shall
15 promulgate rules and regulations to implement the provisions of
16 sections 173.1500 to 173.1535.

17 7. Any rule or portion of a rule, as that term is defined
18 in section 536.010 that is created under the authority delegated
19 in this section shall become effective only if it complies with
20 and is subject to all of the provisions of chapter 536, and, if
21 applicable, section 536.028. This section and chapter 536 are
22 nonseverable and if any of the powers vested with the general
23 assembly pursuant to chapter 536, to review, to delay the
24 effective date, or to disapprove and annul a rule are
25 subsequently held unconstitutional, then the grant of rulemaking
26 authority and any rule proposed or adopted after August 28, 2013,
27 shall be invalid and void.

28 173.1525. 1. When the total amount of funds appropriated

1 to the public institutions in a fiscal year exceeds or is equal
2 to the total amount of funds appropriated to the public
3 institutions in the prior fiscal year:

4 (1) No operating appropriation for fiscal year 2015 for any
5 public institution of higher education calculated under sections
6 173.1500 to 173.1515 shall result in less than ninety-eight
7 percent of the amount appropriated for the institution in fiscal
8 year 2014, excluding any separate line items from the fiscal year
9 2014 appropriation, except as provided in subsection 2 of this
10 section; and

11 (2) No operating appropriation for any public institution
12 of higher education calculated under sections 173.1500 to
13 173.1515 for fiscal year 2016 and subsequent fiscal years shall
14 result in less than ninety-eight percent of the previous fiscal
15 year's amount appropriated under sections 173.1500 to 173.1515
16 until such time as the operating appropriation is equal to the
17 institution's target funding level as calculated under sections
18 173.1500 to 173.1515, except as provided in subsection 2 of this
19 section.

20 2. From the appropriation calculated under subsection 1 of
21 this section, ten percent of the funds shall be earmarked and
22 designated as performance funding and shall be subject to the
23 provisions of section 173.1520.

24 173.1527. When the total amount of funds appropriated to
25 the public institutions in a fiscal year exceeds or is equal to
26 the total amount of funds appropriated to the public institutions
27 in the prior fiscal year, each institution shall receive an
28 appropriation equal to the sum of:

1 (1) The product of:

2 (a) The institution's proportionate share of the difference
3 between:

4 a. The total of the target funding levels for all public
5 institutions; and

6 b. The current fiscal year appropriation for all public
7 institutions; and

8 (b) The increase in the total amount of funds appropriated
9 to all public institutions from the previous year to the current
10 fiscal year; and

11 (2) The amount of the appropriation that the institution
12 received in the previous fiscal year, provided the institution is
13 not subject to the provisions of section 173.1525.

14 173.1529. If the total amount of funds appropriated to the
15 public institutions is less than the total amount of funds
16 appropriated to the public institutions in the prior fiscal year,
17 an institution shall receive a percentage of the total amount of
18 funds appropriated equal to the percentage of the total amount of
19 funds the institution received under sections 173.1500 to
20 173.1515 during the prior fiscal year.

21 173.1530. 1. Figures for academic support, institutional
22 support, instruction, public service, research, and student
23 services shall be obtained from data reported to IPEDS.

24 2. Unless otherwise specified, calculations used for the
25 higher education funding model under sections 173.1500 to
26 173.1535 shall use a three-year rolling average of final data
27 obtained through IPEDS, except for fiscal year 2015, for which an
28 average of the final data for fiscal years 2010 and 2011 shall be

1 used.

2 3. If additional definitions are required when implementing
3 or administering the higher education funding model, definitions
4 from IPEDS may be used as needed.

5 173.1535. 1. The joint committee on education shall review
6 the functionality of the higher education funding model
7 established under sections 173.1500 to 173.1535 every five years
8 beginning in academic year 2018-2019. When conducting its
9 review, the joint committee shall consult with the coordinating
10 board for higher education, the department of higher education,
11 at least two academic researchers, the Midwest Higher Education
12 Compact, and the Education Commission of the States, and may
13 consult with any education foundation that regularly conducts
14 research in the area of state funding for higher education.

15 2. The joint committee shall submit a written report, with
16 any recommendations for legislative action or action by the
17 coordinating board for higher education, the department of higher
18 education, or the institutions, to the secretary of the senate,
19 the chief clerk of the house of representatives, and the
20 coordinating board for higher education.