

FIRST REGULAR SESSION

SENATE BILL NO. 437

97TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR PEARCE.

Read 1st time February 28, 2013, and ordered printed.

TERRY L. SPIELER, Secretary.

1808S.03I

AN ACT

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

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

Section A. Section 163.191, RSMo, is repealed and nine new sections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

163.191. 1. Each year public community colleges in the aggregate shall
2 be eligible to receive from state funds, if state funds are available and
3 appropriated, an amount [up to but not more than fifty percent] of the state
4 community colleges' planned operating costs as determined by the [department
5 of] higher education **funding model under sections 173.1500 to 173.1535**. As
6 used in this subsection, the term "year" means from July first to June thirtieth
7 of the following year. As used in this subsection, the term "operating costs"
8 means all costs attributable to current operations, including all direct costs of
9 instruction, instructors' and counselors' compensation, administrative costs, all
10 normal operating costs and all similar noncapital expenditures during any year,
11 excluding costs of construction of facilities and the purchase of equipment,
12 furniture, and other capital items authorized and funded in accordance with
13 subsection 2 of this section. Operating costs shall be computed in accordance
14 with accounting methods and procedures to be specified by the department of
15 higher education. The department of higher education shall review all
16 institutional budget requests and prepare appropriation recommendations
17 annually for the community colleges under the supervision of the

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

18 department. The department's budget request shall include a recommended level
19 of funding. Distribution of appropriated funds to community college districts
20 shall be in accordance with the [community college resource allocation
21 model. This model shall be developed and revised as appropriate cooperatively
22 by the community colleges and the department of higher education. The
23 department of higher education shall recommend the model to the coordinating
24 board for higher education for their approval. The core funding level for each
25 community college shall initially be established at an amount agreed upon by the
26 community colleges and the department of higher education. This amount will
27 be adjusted annually for inflation, limited growth, and program improvements in
28 accordance with the resource allocation model starting with fiscal year
29 1993] **higher education funding model established in sections 173.1500**
30 **to 173.1535, using the calculation for institutions in the associate's**
31 **sector in subsection 2 of section 173.1515, with each community**
32 **college's appropriation calculated separately.** The department of higher
33 education shall request new and separate state aid funds for any new districts for
34 their first six years of operation. The request for the new districts shall be based
35 upon the same level of funding being provided to the existing districts, and should
36 be sufficient to provide for the growth required to reach a mature enrollment
37 level. [The department of higher education will be responsible for evaluating the
38 effectiveness of the resource allocation model and will submit a report to the
39 speaker of the house of representatives and president pro tem of the senate by
40 November 1997, and every four years thereafter.]

41 2. In addition to state funds received for operating purposes, each
42 community college district shall be eligible to receive an annual appropriation,
43 exclusive of any capital appropriations, for the cost of maintenance and repair of
44 facilities and grounds, including surface parking areas, and purchases of
45 equipment and furniture. Such funds shall not exceed in any year an amount
46 equal to ten percent of the state appropriations, exclusive of any capital
47 appropriations, to community college districts for operating purposes during the
48 most recently completed fiscal year. The department of higher education may
49 include in its annual appropriations request the necessary funds to implement
50 the provisions of this subsection and when appropriated shall distribute the funds
51 to each community college district as appropriated. The department of higher
52 education appropriations request shall be for specific maintenance, repair, and
53 equipment projects at specific community college districts, shall be in an amount

54 of fifty percent of the cost of a given project as determined by the coordinating
55 board and shall be only for projects which have been approved by the coordinating
56 board through a process of application, evaluation, and approval as established
57 by the coordinating board. The coordinating board, as part of its process of
58 application, evaluation, and approval, shall require the community college district
59 to provide proof that the fifty-percent share of funding to be defrayed by the
60 district is either on hand or committed for maintenance, repair, and equipment
61 projects. Only salaries or portions of salaries paid which are directly related to
62 approved projects may be used as a part of the fifty-percent share of funding.

63 3. School districts offering two-year college courses pursuant to section
64 178.370 on October 31, 1961, shall receive state aid pursuant to subsections 1 and
65 2 of this section if all scholastic standards established pursuant to sections
66 178.770 to 178.890 are met.

67 4. In order to make postsecondary educational opportunities available to
68 Missouri residents who do not reside in an existing community college district,
69 community colleges organized pursuant to section 178.370 or sections 178.770 to
70 178.890 shall be authorized pursuant to the funding provisions of this section to
71 offer courses and programs outside the community college district with prior
72 approval by the coordinating board for higher education. The classes conducted
73 outside the district shall be self-sustaining except that the coordinating board
74 shall promulgate rules to reimburse selected out-of-district instruction only where
75 prior need has been established in geographical areas designated by the
76 coordinating board for higher education. Funding for such off-campus instruction
77 shall be included in the appropriation recommendations, shall be determined by
78 the general assembly and shall continue, within the amounts appropriated
79 therefor, unless the general assembly disapproves the action by concurrent
80 resolution.

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

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

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

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

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

3 **(1) "Academic support", the activities and services that support
4 the institution's primary mission, which shall include but not be limited
5 to:**

6 **(a) Expenses of activities and services that support the
7 institution's primary missions of instruction, public service, and
8 research;**

9 **(b) The retention, preservation, and display of educational
10 materials, including but not limited to libraries, museums, and
11 galleries;**

12 **(c) Organized activities that provide support services to the
13 academic functions of the institution;**

14 **(d) Media, including but not limited to audiovisual services;**

15 **(e) Academic administration, including but not limited to
16 academic deans but which shall not include department chairs;**

17 **(f) Formally organized and separately budgeted academic
18 personnel development and course and curriculum development
19 expenses; and**

20 **(g) Information technology expenses related to these activities;**

21 **(2) "Associate's degree", an award that normally requires at least
22 two but less than four years of full-time equivalent college work;**

23 **(3) "Associate's institution", an institution with a Carnegie
24 classification of associate's;**

25 **(4) "Baccalaureate degree" or "bachelor's degree", an award that
26 normally requires at least four but less than five years of full-time
27 equivalent college-level work, including awards conferred in a five-year
28 cooperative program of work-study. This shall include degrees in
29 which the normal four years of work are completed in three years;**

30 **(5) "Baccalaureate institution", an institution with a Carnegie
31 classification of baccalaureate college;**

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

35 **(7) "Core operating expenditures", total expenditures for the**
36 **essential education activities of the institution, which shall include the**
37 **institution's expenditures for academic support, institutional support,**
38 **instruction, public service, research, and student services;**

39 **(8) "Headcount", the sum of students enrolled for credit during**
40 **a twelve-month period with each student counted only once during the**
41 **reporting period, regardless of when the student enrolled;**

42 **(9) "Institution" or "institution of higher education" or "public**
43 **institution" or "public institution of higher education", any college or**
44 **university established pursuant to chapter 172, chapter 174, chapter**
45 **175, sections 178.631 to 178.640, or sections 178.770 to 178.891;**

46 **(10) "Institutional support", a functional expense category that**
47 **includes expenses for the day-to-day operational support of the**
48 **institution, including expenses for general administrative services,**
49 **operational information technology, central executive-level activities**
50 **concerned with management and long range planning, legal and fiscal**
51 **operations, space management, employee personnel and records,**
52 **logistical services such as purchasing and printing, and public relations**
53 **and development;**

54 **(11) "Instruction", a functional expense category that includes**
55 **expenses of the colleges, schools, departments, and other instructional**
56 **divisions of the institution and expenses for departmental research and**
57 **public service that are not separately budgeted. "Instruction" shall**
58 **include general academic instruction. "Instruction" shall not include**
59 **expenses for academic administration where the primary function is**
60 **administration or any expenditures associated with workforce**
61 **development;**

62 **(12) "Integrated Postsecondary Education Data System" or**
63 **"IPEDS", the system of interrelated educational data surveys reported**
64 **annually to the National Center for Education Statistics of the United**
65 **States Department of Education by every institution participating in**
66 **the federal student financial aid programs;**

67 **(13) "Local revenue", funds received by a community college from**
68 **its imposition of a tax on property within the community college's**

69 **taxing district under section 178.800;**

70 **(14) "Master's classified institution", an institution with a**
71 **Carnegie classification of master's college or university;**

72 **(15) "Operating budget estimate", the dollar amount derived from**
73 **the calculation model in section 173.1515, containing the calculated**
74 **operating expenditures and performance funding for which an**
75 **institution is eligible under section 173.1520, which form the basis for**
76 **the line item operating appropriations for a public institution;**

77 **(16) "Other institutional expenditures", expenditures which are**
78 **not included in core operating expenditures and therefore not directly**
79 **appropriated for through the major line item operating appropriation,**
80 **including but not limited to scholarships, auxiliary enterprises,**
81 **hospital services, and independent operations;**

82 **(17) "Peer comparison group", the public institutions from the**
83 **peer states that are designated by the same Carnegie classification as**
84 **a Missouri institution's sector, with the exception of Linn State**
85 **Technical College, whose peer institutions are chosen nationwide from**
86 **state supported institutions with similar missions, degree programs,**
87 **certificates, and credentials offered;**

88 **(18) "Peer states", the group of ten states comprised of the five**
89 **states next higher than Missouri and the five states next lower than**
90 **Missouri, based on rank-ordering of all states according to Bureau of**
91 **Economic Analysis based on the 2011 midyear population estimates of**
92 **the census data for the per capita personal income, updated**
93 **decennially;**

94 **(19) "Performance funding", that portion of the annual operating**
95 **budget estimate that is derived from applying the institutional**
96 **performance measures as approved by the coordinating board for**
97 **higher education to the percentage of funding designated by the**
98 **general assembly;**

99 **(20) "Public service", the median of expenditures as reported**
100 **through IPEDS of those core operating expenditures for activities**
101 **established primarily to provide noninstructional services beneficial to**
102 **individuals and groups external to the institution, such as conferences,**
103 **institutes, general advisory service, reference bureaus, and similar**
104 **services provided to particular sectors of the community, including**
105 **expenses for community services, public broadcasting services, actual**

106 or allocated costs for operation and maintenance of plant and
107 depreciation, and information technology expenses related to the public
108 service activities if the institution separately budgets and expenses
109 information technology resources; otherwise these expenses are
110 included in "academic support";

111 (21) "Research", the median of expenditures as reported through
112 IPEDS of those core operating expenditures that include separately
113 budgeted-for research distinct from instruction, including expenses for
114 activities specifically organized to produce research outcomes and
115 commissioned by an agency either external to the institution or
116 separately budgeted by an organizational unit within the
117 institution. The category includes institutes and research centers,
118 individual and project research, and actual or allocated costs for
119 operation and maintenance of plant and depreciation. Information
120 technology expenses related to research activities are included if the
121 institution separately budgets and expenses information technology
122 resources; otherwise these expenses are included in "academic support";

123 (22) "Research classified institution", an institution with a
124 Carnegie classification of a research university;

125 (23) "Sector", the designation of a public institution, based on
126 Carnegie classification, as associate's, baccalaureate, master's, or
127 research, with the exception of Linn State Technical College, which is
128 designated in the statewide technical education institution sector;

129 (24) "Student services", the median of expenditures as reported
130 through IPEDS of those core operating expenditures for admissions,
131 registrar activities, and activities whose primary purpose is to
132 contribute to students' emotional and physical well-being and to their
133 intellectual, cultural, and social development outside the context of the
134 formal instructional program, including student activities, cultural
135 events, student newspapers, intramural athletics, student
136 organizations, supplemental instruction outside the normal
137 administration, student records, and actual or allocated costs for
138 operation and maintenance of plant and depreciation. Information
139 technology expenses are included if the institution separately budgets
140 and expenses information technology resources; otherwise these
141 expenses are included in "institutional support";

142 (25) "Weighted student credit hours", the product of an

143 institution's number of completed credit hours and the appropriate
144 weight assigned to such credit hours by section 173.1510.

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

3 (1) The associate's sector shall include the community colleges
4 and the West Plains campus of Missouri state university;

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

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

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

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

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

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

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

5 (1) Cluster 1 shall include communications, foreign languages,
6 English literature, family and consumer science, industrial arts,
7 mathematics, statistics, parks and recreation and leisure, philosophy,
8 religious studies, psychology, and history;

9 (2) Cluster 2 shall include education, physical sciences, visual
10 and performing arts, and business;

11 (3) Cluster 3 shall include architecture, computer science,
12 biological science, and public administration;

13 (4) Cluster 4 shall include agriculture, library sciences,
14 transportation and materials moving, and health services;

15 (5) Cluster 5 shall include engineering and law;

16 (6) Cluster 6 shall include medicine, veterinary medicine, and
17 dentistry.

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

- 19 **(1) Lower division;**
20 **(2) Upper division;**
21 **(3) Master's or specialist;**
22 **(4) First professional;**
23 **(5) Doctoral.**
- 24 **4. Weights for courses in the lower division shall be:**
- 25 **(1) Cluster 1, 1.00;**
26 **(2) Cluster 2, 1.51;**
27 **(3) Cluster 3, 1.84;**
28 **(4) Cluster 4, 2.19;**
29 **(5) Cluster 5, 3.34.**
- 30 **5. Weights for courses in the upper division shall be:**
- 31 **(1) Cluster 1, 1.50;**
32 **(2) Cluster 2, 2.26;**
33 **(3) Cluster 3, 2.76;**
34 **(4) Cluster 4, 3.28;**
35 **(5) Cluster 5, 5.01.**
- 36 **6. Weights for courses at the master's or specialist level shall be:**
- 37 **(1) Cluster 1, 2.10;**
38 **(2) Cluster 2, 3.17;**
39 **(3) Cluster 3, 3.86;**
40 **(4) Cluster 4, 4.60;**
41 **(5) Cluster 5, 7.01.**
- 42 **7. Weights for courses at the first professional level shall be:**
- 43 **(1) Cluster 4, 5.48;**
44 **(2) Cluster 5, 8.35;**
45 **(3) Cluster 6, 10.02.**
- 46 **8. Weights for courses at the doctoral level shall be:**
- 47 **(1) Cluster 1, 3.00;**
48 **(2) Cluster 2, 4.53;**
49 **(3) Cluster 3, 5.52;**
50 **(4) Cluster 4, 6.57;**
51 **(5) Cluster 5, 10.02.**
- 52 **9. The coordinating board for higher education shall have**
53 **authority to assign weights to courses based on discipline for any**
54 **discipline that is not addressed by this section. The coordinating board**
55 **shall assign such weight through the promulgation of an administrative**

56 rule.

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

173.1515. 1. The state share of the operating budget estimate for
2 institutions in the baccalaureate sector, master's sector, research
3 sector, and statewide technical education institution sector shall be
4 calculated as the product of:

5 (1) The sum of the institution's totals for academic support and
6 institutional support and instruction and public service and research
7 and student services; and

8 (2) The sector-specific modifier.

9 2. The state share of the operating budget estimate for each
10 institution in the associate's sector shall be calculated as the difference
11 of:

12 (1) The product of:

13 (a) The sum of the institution's totals for academic support and
14 institutional support and instruction and public service and research
15 and student services; and

16 (b) The sector-specific modifier;

17 (2) Minus fifty percent of the institution's local revenue.

18 3. A modifier shall be calculated specific to each sector, which
19 shall be referred to as a "sector specific modifier". The sector specific
20 modifier shall be the median of the rank ordered list of institutions in
21 a sector peer group using, for each institution, the quotient of:

22 (1) Each institution's state appropriation; and

23 (2) The sum of academic support and institutional support and
24 instruction and public service and research and student services.

25 4. Academic support shall be calculated as the product of:

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

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

30 5. Institutional support shall be calculated as the product of:

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

33 **(2) The sector peers' median percentage for institutional support**
34 **expenditures relative to expenditures in academic support, instruction,**
35 **public service, research, and student services.**

36 **6. An institution's cost of instruction shall be calculated as the**
37 **product of:**

38 **(1) The standardized rate per credit hour for the sector in which**
39 **the institution is classified; and**

40 **(2) Weighted student credit hours; and**

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

42 **7. Each institution shall have a Pell weight calculated for it. An**
43 **institution's Pell weight shall be calculated as the sum of one and the**
44 **institution's value over the Pell threshold. The Pell threshold for a**
45 **sector shall be the median value of the sector's peer comparison group's**
46 **rank ordered list of institutions' percentage of students receiving a Pell**
47 **grant. An institution's percentage of students receiving a Pell grant**
48 **shall be the quotient of the institution's undergraduate headcount and**
49 **the number of students at that institution receiving a Pell grant.**

50 **8. Public service shall be calculated as the product of:**

51 **(1) The median of the institution's sector peers' public service**
52 **expenditures by headcount; and**

53 **(2) The institution's headcount.**

54 **9. Research shall be calculated as the product of:**

55 **(1) The sponsored research expenditures incurred by the**
56 **institution in the prior fiscal year; and**

57 **(2) Twenty-five-hundredths.**

58 **10. A standardized rate per credit hour shall be calculated for**
59 **each sector. The standardized rate per credit hour shall be the median**
60 **value of each peer comparison group's rank ordered list of rates per**
61 **credit hour using the quotient of:**

62 **(1) Each peer institution's instruction expenditure; and**

63 **(2) The number of each institution's unweighted student credit**
64 **hours.**

65 **11. Student services shall be calculated as the product of:**

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

68 **(2) The institution's headcount.**

173.1520. 1. When the general assembly appropriates funds for

2 public institutions of higher education during the appropriations
3 process, ten percent of each institution's funding shall be earmarked
4 and designated as performance funding and shall be identified as a
5 separate line item under that institution in the higher education
6 appropriations bill.

7 2. Performance funds shall be directed into the "Higher
8 Education Performance Fund".

9 3. The coordinating board for higher education shall adopt
10 institutional performance measures in collaboration with the
11 institutions. The coordinating board shall update and revise the
12 institutional performance measures every five years beginning in 2017.

13 4. To receive performance funding, an institution shall satisfy
14 the institutional performance measures adopted by the coordinating
15 board for higher education. The amount of performance funding
16 earned by an institution shall be in proportion to the number of
17 institutional performance measures it meets.

18 5. Each institution shall provide proof to the coordinating board
19 for higher education that it has satisfied the institutional performance
20 measures. If an institution proves that it has satisfied one or more of
21 the institutional performance measures, the coordinating board for
22 higher education shall authorize the release of the appropriate amount
23 of funds.

24 6. There is hereby created in the state treasury the "Higher
25 Education Performance Fund", which shall consist of money collected
26 under this section. The coordinating board for higher education shall
27 administer the fund. The state treasurer shall be custodian of the fund.
28 In accordance with sections 30.170 and 30.180, the state treasurer may
29 approve disbursements. The fund shall be a dedicated fund and, upon
30 appropriation, money in the fund shall be used solely for the
31 administration of this section. Any moneys remaining in the fund at
32 the end of the biennium shall revert to the credit of the general
33 revenue fund. The state treasurer shall invest moneys in the fund in
34 the same manner as other funds are invested. Any interest and moneys
35 earned on such investments shall be credited to the fund.

36 7. The coordinating board for higher education shall promulgate
37 rules and regulations to implement the provisions of sections 173.1500
38 to 173.1535.

39 8. Any rule or portion of a rule, as that term is defined in section
40 536.010 that is created under the authority delegated in this section
41 shall become effective only if it complies with and is subject to all of
42 the provisions of chapter 536, and, if applicable, section 536.028. This
43 section and chapter 536 are nonseverable and if any of the powers
44 vested with the general assembly pursuant to chapter 536, to review, to
45 delay the effective date, or to disapprove and annul a rule are
46 subsequently held unconstitutional, then the grant of rulemaking
47 authority and any rule proposed or adopted after August 28, 2013, shall
48 be invalid and void.

173.1525. 1. No operating appropriation for fiscal year 2015 for
2 any public institution of higher education calculated under sections
3 173.1500 to 173.1535 shall result in less than ninety-eight percent of the
4 amount appropriated for the institution in fiscal year 2014, excluding
5 any separate line items from the fiscal year 2014 appropriation.

6 2. No operating appropriation for any public institution of
7 higher education calculated under sections 173.1500 to 173.1535 for
8 fiscal year 2016 and subsequent fiscal years shall result in less than
9 ninety-eight percent of the previous fiscal year's amount appropriated
10 under sections 173.1500 to 173.1535 until such time as the operating
11 appropriation is equal to ninety-eight percent of the previous fiscal
12 year's amount appropriated under sections 173.1500 to 173.1535.

173.1530. Unless otherwise specified, calculations used for the
2 higher education funding model under sections 173.1500 to 173.1535
3 shall use a three year rolling average of final data obtained through
4 IPEDS, except for fiscal year 2015, for which an average of the final
5 data for fiscal years 2010 and 2011 shall be used.

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

11 **2. The joint committee shall submit a written report, with any**
12 **recommendations for legislative action or action by the coordinating**
13 **board for higher education, the department of higher education, or the**
14 **institutions, to the secretary of the senate, the chief clerk of the house**
15 **of representatives, and the coordinating board for higher education.**

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