

AGENDA ITEM SUMMARY

AGENDA ITEM

FY14 Recommendations for Public Institutions' Base Operating Appropriations
Coordinating Board for Higher Education
September 5, 2012

DESCRIPTION

In recent years, Missouri's ability to maintain funding for its public higher education institutions has been severely compromised. Following a 5.2 percent core funding cut in FY11, the General Assembly cut institutional core budgets an additional 5.7 percent in FY12. This cut was increased to 7 percent through expenditure restrictions imposed by the governor, consistent with his original recommendations. There were further expenditure restrictions of 1.1 percent for the University of Missouri and 1.2 percent for Missouri Western State University due to their tuition increases; however, these were not carried forward into FY13.

The FY13 TAFP budget was passed without cuts from the FY12 funding level for all institutions and \$3 million in new "equity" money was added for certain four-year institutions. However, expenditure restrictions exercised by the governor resulted in a 1 percent reduction for community colleges and Linn State Technical College. Expenditure restrictions amounting to 10 percent of new "equity" funding and 1 percent of the core TAFP for four-year institutions resulted in funding changes from FY12 to FY13 ranging from a 2.6 percent increase to 1 percent reductions. Early indications are that it will continue to be extremely difficult for the state to significantly increase its investment in institutional core budgets in FY14. The intent of this agenda item is to outline the budget restrictions facing Missouri state government in FY14 and to provide a recommended budget for consideration by the Coordinating Board.

Background

The structure and content of the FY14 budget request is largely dictated by the restrictions regarding requests for increases in state funding explained in the July 20, 2012, cover letter from the State Budget Director that accompanied the official FY14 budget instructions. This letter cites several factors that make the FY14 budget unlikely to be marked by any recovery from reductions made in recent years. Most significantly, the slow pace of the economic recovery is reflected in weak growth in state revenue collections. Slow revenue growth is expected again in FY14 and a budget deficit is anticipated, driven in large part by the need to replace \$220 million in one-time funds.

In this context, the budget director's letter instructs all departments to carry forward any FY13 expenditure restrictions into FY14 as core reductions. For institutional core budgets this amounts to approximately \$8.8 million of FY13 restrictions carried forward to FY14. The letter also specifies that any new decision items that require general revenue should not be requested, with the possible exception of items considered mandatory. MDHE staff has confirmed with the Office of Administration that no higher education budget items, including increases for performance funding, are considered mandatory; therefore, the staff is not officially recommending increases for institutional operating budgets.

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Secondary Budget Request

Although additional funds may not be available for increased investment, there is still value in taking this annual opportunity to put forward a representation of some of the needs of Missouri higher education. Accordingly, information on needed funding increases for institutional base operating budgets, as well as other budget items for higher education, will be transmitted to the Governor and General Assembly separately from the formal request that includes no requests for increased funding. The components of this secondary budget request are described in Tab G.

Conclusion

With the state facing continued fiscal challenges and the national and state economies continuing only a modest pace of recovery, there is little, if any, revenue available to address financial needs in state government, including public higher education institutions. While higher education institutions are committed to continuing to seek ways to operate more efficiently and accommodate rapidly growing enrollments, affordable programs and services of quality cannot be maintained indefinitely with existing, or reduced resources.

The formal request for FY14 adheres to the conditions communicated by the State Budget Director. However, a secondary set of recommendations have been developed and will be communicated so that policy makers are aware that additional investment in higher education is needed in order to maintain quality programs and services, keep tuition rates low and meet the urgent challenges of human development and workforce preparation for the new global economy. This approach will provide important context and background about higher education's pressing needs for elected officials to use when new funding becomes available.

STATUTORY REFERENCE

Section 163.191, RSMo, CBHE statutory responsibility to develop an appropriations request for community colleges

Sections 173.005.2(2), 173.030(3), and 173.040(5), RSMo, CBHE statutory responsibility to establish guidelines for appropriations requests and to recommend a budget for each state-supported university

Section 173.005.2(7), RSMo, CBHE statutory responsibility for gathering data from state-supported institutions

RECOMMENDED ACTION

It is recommended that the Coordinating Board approve the FY14 core institutional appropriation request, totaling \$841,879,306 for submission to the Governor and General Assembly.

ATTACHMENT(S)

FY 2014 Institutional Core Budget Request

**Higher Education Institutions' FY14 Budget
Staff Recommendation**

Institution	FY13 Funding		FY13 Expenditure Restriction			FY 13 Available	FY14 Core Reduction	FY14 Core Request
	Core TAFP	Equity Funding	10% of Equity Funding	1% of Core TAFP				
Community Colleges	\$ 130,815,295	\$ -	\$ -	\$ (1,308,153)	\$ 129,507,142	\$ (1,308,153)	\$ 129,507,142	
Linn State Technical College	\$ 4,616,807	\$ -	\$ -	\$ (46,168)	\$ 4,570,639	\$ (46,168)	\$ 4,570,639	
University of Central Missouri	\$ 52,611,033	\$ 580,377	\$ (58,038)	\$ (526,110)	\$ 52,607,262	\$ (584,148)	\$ 52,607,262	
Southeast Missouri State University	\$ 42,886,095	\$ 885,969	\$ (88,597)	\$ (428,861)	\$ 43,254,606	\$ (517,458)	\$ 43,254,606	
Missouri State University	\$ 79,342,892	\$ -	\$ -	\$ (793,429)	\$ 78,549,463	\$ (793,429)	\$ 78,549,463	
Lincoln University	\$ 17,438,672	\$ 49,663	\$ (4,966)	\$ (174,387)	\$ 17,308,982	\$ (179,353)	\$ 17,308,982	
Truman State University	\$ 39,814,175	\$ 105,435	\$ (10,544)	\$ (398,142)	\$ 39,510,924	\$ (408,686)	\$ 39,510,924	
Northwest Missouri State University	\$ 29,179,857	\$ 515,476	\$ (51,548)	\$ (291,799)	\$ 29,351,986	\$ (343,347)	\$ 29,351,986	
Missouri Southern State University	\$ 22,566,335	\$ 346,521	\$ (34,652)	\$ (225,663)	\$ 22,652,541	\$ (260,315)	\$ 22,652,541	
Missouri Western State University	\$ 20,795,378	\$ 516,559	\$ (51,656)	\$ (207,954)	\$ 21,052,327	\$ (259,610)	\$ 21,052,327	
Harris-Stowe State University	\$ 9,588,701	\$ -	\$ -	\$ (95,887)	\$ 9,492,814	\$ (95,887)	\$ 9,492,814	
University of Missouri	\$ 398,000,626	\$ -	\$ -	\$ (3,980,006)	\$ 394,020,620	\$ (3,980,006)	\$ 394,020,620	
Subtotals	\$ 847,655,866	\$ 3,000,000	\$ (300,001)	\$ (8,476,559)	\$ 841,879,306	\$ (8,776,560)	\$ 841,879,306	