



## COORDINATING BOARD FOR HIGHER EDUCATION

January 2, 2018 | 3:30 p.m.  
Conducted via teleconference

Call-in number: (866) 630-9346

### MEETING AGENDA

#### COMMITTEE ITEM

#### PRESENTER

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#### GENERAL BUSINESS

##### Action Items

- |  |                                    |
|--|------------------------------------|
| 1. Call to Order   | <b>DOUG KENNEDY, CHAIR</b>         |
| 2. FY 2019 Public Institutions' Core Appropriations                      | <b>ZORA MULLIGAN, COMMISSIONER</b> |
| 3. FY 2019 Capital Improvement Projects                                  | <b>ZORA MULLIGAN, COMMISSIONER</b> |
| 4. Election of 2018 CBHE Officers  | <b>DOUG KENNEDY, CHAIR</b>         |
| 5. Appointment of 2018 CBHE Committees                                   | <b>DOUG KENNEDY, CHAIR</b>         |
| 6. Adjourn Public Session of the Coordinating Board for Higher Education | <b>DOUG KENNEDY, CHAIR</b>         |



## AGENDA ITEM 2

# FY 2019 Public Institutions' Core Appropriations

Coordinating Board for Higher Education  
January 2, 2018

## BACKGROUND

Section 173.1540, RSMo, requires public universities to prepare annual budget requests and submit them to the Department of Higher Education. The department is required to review those requests and prepare appropriation recommendations. Section 163.191.2, RSMo, contains a similar provision pertaining to community colleges' budgets: "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." Section 178.638, RSMo, indicates that "all funds designated for [State Technical College] shall be included in the coordinating board's budget request." Although the law assigns responsibility to the department – at least for the public universities and community colleges – the department's practice has been to seek the Coordinating Board's approval of those recommendations.

The law also provides, "In consultation with the heads of the institutions of higher education affected and against a background of carefully collected data on enrollment, physical facilities, manpower needs, [and] institutional missions, the coordinating board for higher education shall establish guidelines for appropriation requests by those institutions of higher education" (§ 173.005.2(3), RSMo). In recent years, driven in large part by economic circumstances and general prohibitions against requesting additional funds from several previous governors' budget offices, this process has consisted of simply asking the institutions to submit requests and communicating any requests for funding in addition to the previous fiscal year's core appropriation – often after the application of expenditure restrictions – in a letter outside of the technical budget process.

For the upcoming fiscal year, the Coordinating Board's budget recommendations must address two realities. The first is the overall funding situation under which Missouri higher education has been functioning for much of the past decade. Declining or level funding has been the rule during that period and, as appropriate, the board's budget recommendation should recognize those facts. However, the second reality is that the board's budget recommendation must reflect the actual revenue picture faced by the state. For myriad reasons, the revenue available to address non-mandatory funding priorities has been and continues to be highly restricted. In this environment, a budget recommendation that does not recognize that reality, in this case the likelihood of a substantial revenue shortfall in FY 2019, not only fails to serve the purpose envisioned by the drafters of the statutes cited above but weakens the level of appreciation for the board's and department's role in this process.

## INITIAL PROPOSAL

In the current budget environment, the reappropriation of 10 percent of the funds actually appropriated to public colleges and universities in the FY 2018 budget, after expenditure restrictions were applied, appears to be a workable alternative to the "core-plus or -minus" approach used by the state until the FY 2014 implementation of performance funding. The initial staff recommendation aligns with advice from the National Center for Higher Education Management Systems (NCHEMS). In a [September 2016 paper](#), NCHEMS' Dennis Jones advises, "Don't wait for new money. Given the economic outlook for most

states, funding the outcomes component of the allocation model only with new resources is a recipe for indefinite postponement. Because pursuit of state goals is such an imperative, delay in attaching outcomes requirements to some part of the allocation sends entirely the wrong message.”

## **FEEDBACK FROM INSTITUTIONS**

The Council on Public Higher Education (COPHE), State Technical College, and the Missouri Community College Association (MCCA) suggest approaches other than the one recommended by staff. COPHE and State Technical College note that state support has not kept up with inflation since FY 2000 and warns that “the staff recommendation of no new investment pushes us farther down an unsustainable path that will adversely impact the quality of our programs and services, and increase cost to students and families.” MCCA’s comments also note the long-term trend around funding higher education in Missouri, especially the nine percent reduction in the current fiscal year.

As an alternative to the staff recommendation, COPHE suggests that the department request funding at the level appropriated for FY 2018 before expenditure restrictions were applied and a modest additional appropriation to be allocated through the performance funding model. MCCA also asks that the department request funding at the FY 2018 level and create a performance improvement fund to be used to fund sector-specific goals.

## **CONCLUSION**

In the short term and based on the information currently available, MDHE staff maintains that the reappropriation of 10 percent of the core based on performance funding is the right place to start. However, the MDHE also believes if funds are available the state should invest in higher education as an essential engine for economic development and improved quality of life for its citizens. Any funds available as a result should also be allocated based on the performance funding model. In the longer term, the MDHE and institutions need to develop a more credible and objective approach to the higher education appropriation process. Consequently, the department and institutions should work to develop a new approach to the higher education budget process starting with FY 2020. The results of this effort, coupled with the existing performance funding model, will provide a more logical basis for funding decisions, regardless of the revenue environment, and are intended to increase the probability that there will be financial rewards for ongoing efforts to achieve statewide goals and objectives.

## **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**

Staff recommends that institutions’ core appropriation begin at the level appropriated for FY 2018, after the withholdings announced in July 2017 were applied. However, staff also proposes the reappropriation of ten percent of that base using the new performance funding model adopted by the Coordinating Board at its December 14, 2017, meeting. As the attached table indicates, the total amount available for reappropriation is approximately \$88.2 million.

Each institution's actual reappropriation amount will be determined by the dollar amount subject to reappropriation for that institution and the number of performance measures the institution meets. For example, if an institution received a core appropriation for FY 2018 of \$10 million after withholdings, \$1 million would be subject to the reappropriation process. If that institution meets three of its six performance measures, it will receive a reappropriation of \$500,000 or three-sixths of the \$1 million. The institution's total core appropriation would then be \$9,500,000. Any funds not reappropriated, in this example \$500,000, would be appropriated to an institutional performance improvement fund administered by the MDHE. The purpose of the performance improvement fund would be to assist any institution that is experiencing ongoing issues with meeting its performance targets. Parameters for the distribution of these funds will be developed prior to the beginning of FY 2019.

MDHE staff also recommends the Coordinating Board direct the department to begin the process of re-evaluating the current higher education funding approach with the intent of (1) establishing guidelines for institutions' appropriation requests, a process that begins in July, and (2) bringing a new model for core appropriations to the September 2018 CBHE meeting. That new model should include the statutorily required elements of consultation with the heads of the institutions of higher education and carefully collected data on enrollment, physical facilities, manpower needs, and institutional missions.

#### **ATTACHMENTS**

- COPHE and State Technical College Letter
- MCCA Letter
- MDHE Recommendation for Public Higher Education Institutions' FY 2019 Core Budgets -- Detail



## Council on Public Higher Education in the State of Missouri



Charles Ambrose  
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Warrensburg, MO 64093  
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Thomas F. George  
Chancellor  
University of Missouri-St. Louis  
St. Louis, MO 63121

Shawn Strong  
President  
State Technical College of Missouri  
Linn, MO 65051

December 22, 2017

Coordinating Board for Higher Education  
c/o Zora Mulligan, Commissioner of Higher Education  
205 Jefferson Street  
Jefferson City, MO 65102

Dear Board members and Commissioner Mulligan,

On behalf of the presidents and chancellors of COPHE, as well as President Shawn Strong of the State Technical College of Missouri, thank you for the opportunity to provide feedback regarding the FY 2018 operating and capital budget recommendation.

The state has been facing budget deficits and economic uncertainty for a long time. Yet even when all recognize that significant new funding might not be feasible, the coordinating board has always made the case that further investments in higher education will help promote economic growth, meet increasing workforce demands, and support student success. We believe the coordinating board has an important voice to advocate for impactful economic investment through higher education.

This is true now more than ever, as the state is in serious need of the economic and civic benefits that higher education provides.

With our level of state support losing ground to inflation since FY 2000 and our sustained commitment to affordability (tuition increases below inflation for several years), Missouri's public institutions have consistently demonstrated fiscal stewardship while producing student-centered results. However, the staff recommendation of no new investment pushes us farther down an unsustainable path that will adversely impact the quality of our programs and services, and increase costs to students and families.

We recommend that the coordinating board follow its newly adopted performance funding model to request a modest additional investment in the operating budget for public higher education. The measures in the model reflect the key policy issues of the day - including affordability, graduate job placement, administrative efficiency, and student learning. Through this improved model, funding performance IS funding excellence.

The board's recommendations could certainly raise the stakes of performance

funding by beginning with the FY 2018 appropriated core funding (before one-time withholds), and still focus new investment on excellence by providing funding above that level for institutions that demonstrate effective performance across multiple measures.

We would also respectfully request that the board also fulfill its responsibility to put forward a capital improvements request in order to inform the Governor and General Assembly's budgetary process. While it may seem extremely unlikely that the state will consider capital improvement funding for higher education in the upcoming session, that was also the case prior to the 2007 and 2015 sessions, the last times when capital improvement appropriations were made. In each of those instances, it was crucial that the coordinating board was on record with institutional or statewide priorities for budget writers to consider.

We stand ready to assist you and the DHE in developing budget recommendations that reflect the governor's stated priorities, the importance of educational excellence in economic development, and the budget challenges the state is facing. Thank you as always for your service to the State of Missouri and Missouri higher education.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Wagner", with a long horizontal flourish extending to the right.

Paul Wagner, Executive Director



December 21, 2017

Ms. Zora Mulligan  
Commissioner of Higher Education  
205 Jefferson Street  
P.O. Box 1469  
Jefferson City, Missouri 65102-1469

Dear Commissioner Mulligan:

This letter is intended as follow up to last week's CBHE meeting. Thank you for the opportunity to comment on the Department of Higher Education's FY2019 budget recommendation.

Missouri's Community Colleges remain supportive of the performance funding measures that were enhanced this year to ensure all our institutions remain fiercely focused on efficiency, affordability, and improving student outcomes, particularly with respect to student completion and job placement. And we certainly appreciate the notion that they would be tied to future funding and utilized to reward excellence in delivery of higher education as has been done in other states.

However, the trend around funding higher education in Missouri for more than a decade has left us extremely worried about our ability to continue to perform at the level of quality our communities have grown to expect. We are proud of our ability to deliver a quality education to Missouri citizens, enrolling 40% of the undergraduate population while receiving only 15% of the state funding for higher education. And as you know, community colleges and our four-year colleagues have managed to absorb cuts to our funding year over year and are still reeling from a nine percent cut to our core funding for this fiscal year. There are also many other budgetary unknowns, like the consequences of several financial variables evolving in Missouri and the unknown impact of federal tax reform, that give us pause because of the potential that the tax base would be eroded even further.

We believe the role of the Coordinating Board, especially where funding is concerned, is to request the necessary resources to achieve the higher education goals for the state. There exists in Missouri a middle-skills gap that continues to grow at an alarming rate, resulting in employers across the state reporting they simply cannot expand their businesses due to the shortage of workers with the proper skills and training required for the available jobs. Missouri's community colleges stand ready to do our part to close this gap and put Missourians to work but we must have adequate resources to be successful in this endeavor.

If the CBHE is looking for an opportunity to utilize the new performance funding measures in FY2019, perhaps an alternate approach that could be considered would be to seek to maintain core funding at the FY18 level and create a performance improvement fund to be used to fund sector-specific goals set forth by the department and the Coordinating Board.



Such an approach would not only motivate our institutions but would also align with Governor Greitens' stated intent to consider excellence in performance in funding higher education institutions. In the case of the two-year sector, this would also mean CBHE would be recommending a direct investment in the human capital of this state. Given the governor's economic development agenda, a workforce that meets the goals of the Department of Higher Education's Blueprint for Higher Education is great rationale for the CBHE to request performance improvement funding for FY 2019.

We thank you for your consideration of our response. In the event you have any questions or would like additional information, do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Pittman', is written over a faint, light-colored signature line.

Dr. Jeff Pittman  
Chair, Presidents and Chancellors Council - Missouri Community College Association

**MDHE Recommendation for Public Higher Education Institutions' FY 2019 Core Budgets**

Institution	FY 2018 Core after Expenditure Restrictions	FY 2019		
		FY 2019 Core 90% OF FY 2018	Funds Available Through Performance Funding Model	Total Available 100% of FY 2018
			10% of FY 2018	
Community Colleges	\$ 143,570,515	\$ 129,213,464	\$ 14,357,052	\$ 143,570,515
State Technical College of Missouri	\$ 5,530,371	\$ 4,977,334	\$ 553,037	\$ 5,530,371
University of Central Missouri	\$ 54,338,357	\$ 48,904,521	\$ 5,433,836	\$ 54,338,357
Southeast Missouri State University	\$ 44,879,469	\$ 40,391,522	\$ 4,487,947	\$ 44,879,469
Missouri State University	\$ 83,401,060	\$ 75,060,954	\$ 8,340,106	\$ 83,401,060
Lincoln University	\$ 17,370,193	\$ 15,633,174	\$ 1,737,019	\$ 17,370,193
Truman State University	\$ 40,660,322	\$ 36,594,290	\$ 4,066,032	\$ 40,660,322
Northwest Missouri State University	\$ 30,186,117	\$ 27,167,505	\$ 3,018,612	\$ 30,186,117
Missouri Southern State University	\$ 23,031,242	\$ 20,728,118	\$ 2,303,124	\$ 23,031,242
Missouri Western State University	\$ 21,246,755	\$ 19,122,080	\$ 2,124,676	\$ 21,246,755
Harris-Stowe State University	\$ 9,461,260	\$ 8,515,134	\$ 946,126	\$ 9,461,260
University of Missouri	\$ 408,036,876	\$ 367,233,188	\$ 40,803,688	\$ 408,036,876
<b>Subtotals</b>	<b>\$ 881,712,537</b>	<b>\$ 793,541,283</b>	<b>\$ 88,171,254</b>	<b>\$ 881,712,537</b>



### **AGENDA ITEM 3**

## **FY 2019 Capital Improvements Projects**

Coordinating Board for Higher Education  
January 2, 2018

This agenda item provides the Coordinating Board for Higher Education (CBHE) with a staff recommendation regarding capital improvement projects identified as high priorities by the public colleges and universities in the state.

During the past decade, the vast majority of capital improvement projects have been funded by specialized sources such as the Lewis and Clark Discovery Initiative and the American Recovery and Reinvestment Act. However, these funds are no longer available and new funding sources were scarce in the years since 2007.

Beginning in the 2015 legislative session, however, interest in funding capital projects was renewed, and funding has been appropriated for a range of projects between then and FY 2017. No new capital improvements projects were approved for FY 2018. The only funding for capital projects in the current year is to continue previously approved projects.

Although it currently appears unlikely that the state will consider capital improvement funding for higher education in the upcoming session, that was also the case in 2007 and 2015. The attached list represents each institution's top request for capital funding for the state should a fund source be identified. It is submitted to inform the Governor's and General Assembly's decision-making process for the upcoming fiscal year.

#### **STATUTORY REFERENCE**

- Section 163.191, RSMo – State aid to community colleges
- Section 33.220, RSMo – Submission of annual appropriation requests
- Section 173.020, RSMo – CBHE statutory responsibility to plan systematically for the state higher education system
- Section 173.480, RSMo – Department of Higher Education, Higher Education Capital Fund

#### **RECOMMENDED ACTION**

Staff recommend that the CBHE direct the department to submit the attached list of capital funding requests to the Governor and General Assembly.

Staff further recommend that the board direct the department to include consideration of the process by which capital funding projects are reviewed and prioritized as part of the longer-term conversation about higher education funding that will take place in advance of the beginning of the FY 2020 budget process.

#### **ATTACHMENT**

FY 2019 Institutions' Top Capital Funding Priorities

**COORDINATING BOARD FOR HIGHER EDUCATION  
FY 2019 Capital Improvement Top Priorities**

<b>Site Location/Facility</b>	<b>Description</b>	<b>Total Project Cost</b>	<b>Local Match</b>	<b>FY 2019 Request</b>
<b><u>CROWDER COLLEGE</u></b>				
New Building at Neosho Campus	New Construction	\$4,916,000		\$4,916,000
<b><u>EAST CENTRAL COLLEGE</u></b>				
Hansen Hall Caulking	Renovation	\$313,800		\$313,800
<b><u>JEFFERSON COLLEGE</u></b>				
Vet Tech Addition and Renovation	Addition and Renovation	\$2,118,479		\$2,118,479
<b><u>HARRIS-STOWE STATE UNIVERSITY</u></b>				
Construction of New STEM Building	New Construction	\$16,823,308		\$16,823,308
<b><u>LINCOLN UNIVERSITY</u></b>				
Campus-Wide Renovations	Renovation	\$43,263,680		\$43,263,680
<b><u>METROPOLITAN COMMUNITY COLLEGE</u></b>				
Student Success Centers	Addition and Renovation	\$9,100,130		\$9,100,130
<b><u>MINERAL AREA COLLEGE</u></b>				
Career for Center and Technical Education (Area Vocational School)	New Construction	\$26,743,600		\$26,743,600
<b><u>MISSOURI SOUTHERN STATE UNIVERSITY</u></b>				
Taylor Performing Arts Center Renovation	Renovation	\$20,570,731		\$20,570,731
<b><u>MISSOURI STATE UNIVERSITY</u></b>				
Ozarks Science Center & Garnett Library	New Construction & Renovation	\$50,818,778		\$50,818,778
<b><u>MISSOURI UNIVERSITY OF SCIENCE &amp; TECHNOLOGY</u></b>				
Schrenk Hall, Phase III	Addition and Renovation	\$54,005,000		\$54,005,000
<b><u>MISSOURI WESTERN STATE UNIVERSITY</u></b>				
Potter Hall	Addition and Renovation	\$6,649,633		\$6,649,633
<b><u>MOBERLY AREA COMMUNITY COLLEGE</u></b>				
Allied Health Expansion	New Construction	\$4,296,135	\$1,223,564	\$3,072,571
<b><u>NORTH CENTRAL MISSOURI COLLEGE</u></b>				
Student Services Building	New Construction	\$4,438,200		\$4,438,200
<b><u>NORTHWEST MISSOURI STATE UNIVERSITY</u></b>				
Agricultural Sciences	New Construction	\$25,086,500		\$25,086,500
<b><u>OZARKS TECHNICAL COMMUNITY COLLEGE</u></b>				
Advanced Manufacturing & Technology Center-Springfield	New Construction	\$22,000,000		\$22,000,000
<b><u>ST. CHARLES COMMUNITY COLLEGE</u></b>				
Workforce Development Center	New Construction	\$2,500,000		\$2,500,000
<b><u>ST. LOUIS COMMUNITY COLLEGE</u></b>				
Forest Park Campus	Renovation	\$847,032		\$847,032
<b><u>SOUTHEAST MISSOURI STATE UNIVERSITY</u></b>				
Art Building	Renovation	\$13,385,119		\$13,385,119
<b><u>STATE FAIR COMMUNITY COLLEGE</u></b>				
New Technology Center	New Construction	\$26,843,116		\$26,843,116
<b><u>STATE TECHNICAL COLLEGE OF MISSOURI</u></b>				
Utility Technician Program Facility	New Construction	\$5,896,965		\$5,896,965
<b><u>THREE RIVERS COLLEGE</u></b>				
Crisp Technology Center	Addition and Renovation	\$5,824,200		\$5,824,200
<b><u>TRUMAN STATE UNIVERSITY</u></b>				
Pershing, Phase II	Renovation	\$17,494,085	\$2,574,085	\$14,920,000
<b><u>UNIVERSITY OF CENTRAL MISSOURI</u></b>				
W.C. Morris Science Building	Renovation	\$20,146,072		\$20,146,072

**COORDINATING BOARD FOR HIGHER EDUCATION  
FY 2019 Capital Improvement Top Priorities**

<u>UNIVERSITY OF MISSOURI – COLUMBIA</u> Research & Education Strategic Redevelopment, Phase I	Renovation and New Construction	\$150,000,000	\$100,000,000	\$250,000,000
<u>UNIVERSITY OF MISSOURI – KANSAS CITY</u> Spencer Chemistry and Biological Sciences Buildings, Phase II	Renovation	\$33,057,000	\$4,600,000	\$37,657,000
<u>UNIVERSITY OF MISSOURI – ST. LOUIS</u> Space Consolidation & Infrastructure	Renovation	\$16,000,000		\$16,000,000
<b>TOTALS</b>		<b>\$578,221,563</b>	<b>\$108,397,649</b>	<b>\$679,023,914</b>



**AGENDA ITEM 4**  
**Election of 2018 CBHE Officers**

Coordinating Board for Higher Education  
January 2, 2018

**BACKGROUND**

The Coordinating Board's officers include a chair, vice chair, and secretary. The board's bylaws provide for the chair to appoint a nominating committee in September and for that nominating committee to recommend a slate of officers to be voted on by the whole board in December. Then-chair Carolyn Mahoney appointed Doug Kennedy, Mike Thomson, and Sam Murphey to the nominating committee this September. Doug Kennedy became acting chair when Carolyn Mahoney resigned from the board in September 2017.

Traditionally, the most senior recent appointee becomes secretary, then progresses to vice chair, then to chair. Following that pattern, the nominating committee nominated Doug Kennedy (chair), Mike Thomson (vice chair), and Sam Murphey (secretary).

The board discussed this slate but did not take a formal vote at their December 2017 meeting.

Officers' terms ordinarily begin at the close of the regular December meeting, and officers serve for a period of one year and until their successors are elected.

**RECOMMENDED ACTION**

The commissioner recommends that the board elect officers for the 2018 calendar year.



## **AGENDA ITEM 5**

# **Appointment of 2018 CBHE Committees**

Coordinating Board for Higher Education  
January 2, 2018

## **BACKGROUND**

In addition to the Executive Committee, the Coordinating Board's committees include Academic Affairs and Workforce Needs, Audit, Budget and Financial Aid, and Strategic Planning and External Affairs. Board members have indicated the following preferences for 2018 committee membership:

### **Academic Affairs and Workforce Needs**

Carl Bolm  
Sam Murphey  
Shawn Saale

### **Audit**

Joe Cornelison  
Sam Murphey  
Bobby Robertson

### **Budget and Financial Aid**

Joe Cornelison  
Bobby Robertson  
Mike Thomson

### **Strategic Planning and External Affairs**

Committee of the Whole

Committee members' terms ordinarily begin at the close of the regular December meeting. Terms last for one year and until members' successors are elected.

## **RECOMMENDED ACTION**

The commissioner recommends that the chair appoint committees and subsequently name the chair of each committee for calendar year 2018.