



Tab 21

## FY 2020 Public College & University Operating Budget Recommendations

Coordinating Board for Higher Education  
September 12, 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.

In addition, § 173.1540.4, RSMo, describes an "increase allocation model" under which no more than 10% of any increase in core appropriations shall be distributed to address inequitable funding and at least 90% of annual increases shall be distributed in accordance with the performance funding model – unless the General Assembly chooses to otherwise appropriate state funding.

### CURRENT STATUS

Commissioner Mulligan met with the Commissioner's Advisory Group on July 18, 2018, to discuss a common approach to FY 2020 budget requests. The group developed an approach to funding requests that would include core increases of 3% based on performance funding and 1% to address equity. In addition, the request would include a 6.3% increase to build capacity in or to develop new programs to meet workforce needs. The 6.3% would be distributed based on proposals submitted and would not be recommended based on a pro rata basis. The commissioner conveyed the basic structure of this proposal to all public college and university presidents and chancellors on July 29, 2018, and no responses were received. Assistant Commissioner for Fiscal Affairs, Jeff Barlow, emailed the proposal on August 6, 2018 and again on August 14, 2018 to both chief financial officers and presidents along with the annual budget updates. He also discussed the proposal with chief financial officers during their quarterly meeting on August 29, 2018. The August 14<sup>th</sup> email included a formal request for budget submissions which were due August 31, 2018.

The Coordinating Board also discussed this framework at their July 31-August 1, 2018, retreat. Although no formal position was taken, the members who were in attendance agreed with the basic concept.

**Performance Funding.** On August 20, 2018, the Missouri Community College Association (MCCA), the Council on Public Higher Education (COPHE), and Missouri State Technical College were invited to recommend three of the existing six performance measures for their sectors that were most closely linked to workforce development (employment and overall educational attainment). Successful attainment of these measures would be used to earn 3% (\$26.6 million) in new performance funding proposed in the FY 2020 budget.

COPHE recommended: 1) completions per FTE student, 2) pass rates on learning assessments or professional licensure exams, and 3) graduate outcomes.

MCCA recommended: 1) graduate outcomes, 2) pass rates on professional licensure exams, and 3) three-year graduation and transfer rate

Missouri State Technical College recommended: 1) graduate outcomes, 2) completions per FTE, and 3) graduation rate.

**Performance funding received in FY 2020 will be considered core funding in FY 2021 and beyond.**

**Equity Funding.** A total of 1% of the FY 2019 core (\$8.9 million) would be requested for equity funding. Equity funds will be distributed based on models agreed to within each sector. MCCA's model has been finalized and approved; COPHE's is being reviewed. State Technical College would not be subject to equity funding and would simply receive a 1% increase since they have no other cohorts in the state. **Equity funding received in FY 2020 will be considered core funding in FY 2021 and beyond.**

**Workforce Funding.** This funding (\$55.9 million) is generally not intended to become core funding. If full funding of a project requires a multi-year phase in, each year's funding should stand on its own in the event that funds are not appropriated in the subsequent year. A core funding increase may be recommended after the third year in which a funded project achieves its performance goals.

Proposals for funding based on workforce needs will be accepted from September 13-October 25, 2018. The proposed criteria on which they will be evaluated include:

1. The extent to which the proposal will allow institutions(s) to meet an identified regional or statewide regional need, or that will significantly increase general degree completion.
2. Cost per additional completer per year.
3. Clear alignment with local, regional, or statewide chamber of commerce or other business group's priorities.

Special consideration will be given to proposals that articulate a clear plan to serve Missourians who have historically low levels of educational attainment, including residents of rural counties, black and Hispanic Missourians, adults, and veterans, and that have specific and measurable goals associated with that plan.

MDHE staff will work with the Department of Economic Development and business organizations to rank the proposals. Those rankings will be provided to the Coordinating Board, which will hold a special meeting in late October to make final recommendations for the governor's consideration.

**Other new decision items.** In addition, institutions were also invited to submit requests for other new decision items, with the forewarning that the staff recommendation would likely focus on the three categories listed above. Those requests are included in the second attachment. They are not recommended at this time, although some may be resubmitted as proposals to meet workforce needs.

## **NEXT STEPS**

The Coordinating Board's recommendations become "department recommendations," which are submitted to the Office of Administration's Division of Budget & Planning, which compiles requests for the governor and his staff to review. The governor decides whether to include department recommendations in his executive budget, which is often released in connection with the State of the State address in late January or early February.

## **RECOMMENDATION**

This is an information item only at this time, but staff recommend that it be taken up in a board meeting the week of September 17, 2018.

## **ATTACHMENTS**

- A. FY 2020 Public College and University Operating Recommendations
- B. FY 2020 Public College & University New Decision Items

**Tab 21 Attachment A**  
**FY 2020 Public College and University Operating Recommendations**

Higher Education Institutions FY 2020 Proposed					
Institution	FY19 TAFP Funding	Governor's Vetoes, one-time funding and Other Restrictions	FY 2020 Core	Maximum Performance Funding that can be earned in FY20 (3% of FY19 Core)	Amount Earned per Performance Measure = 1%
Crowder College	\$5,636,197		\$5,636,197	\$169,086	\$56,362
East Central College	\$5,421,893		\$5,421,893	\$162,657	\$54,219
Jefferson College	\$7,878,686		\$7,878,686	\$236,361	\$78,787
Metropolitan Community College	\$31,811,767		\$31,811,767	\$954,353	\$318,118
Mineral Area College	\$5,620,302		\$5,620,302	\$168,609	\$56,203
Moberly Area Community College	\$6,183,691		\$6,183,691	\$185,511	\$61,837
North Central Missouri College	\$2,673,704		\$2,673,704	\$80,211	\$26,737
Ozarks Technical Community College	\$14,015,729		\$14,015,729	\$420,472	\$140,157
St. Charles Community College	\$8,989,304		\$8,989,304	\$269,679	\$89,893
St. Louis Community College	\$44,004,261		\$44,004,261	\$1,320,128	\$440,043
State Fair Community College	\$6,124,989		\$6,124,989	\$183,750	\$61,250
Three Rivers College	\$5,209,992		\$5,209,992	\$156,300	\$52,100
<b>Community College Subtotal*</b>	<b>\$143,570,515</b>		<b>\$143,570,515</b>	<b>\$4,307,115</b>	
State Technical College of Missouri	<b>\$5,530,371</b>		<b>\$5,530,371</b>	<b>\$165,911</b>	<b>\$55,304</b>
University of Central Missouri	\$54,338,357		\$54,338,357	\$1,630,151	\$543,384
Southeast Missouri State University	\$44,879,469		\$44,879,469	\$1,346,384	\$448,795
Missouri State University	\$84,001,060		\$84,001,060	\$2,520,032	\$840,011
Lincoln University	\$16,470,193		\$16,470,193	\$494,106	\$164,702
Truman State University	\$40,660,322		\$40,660,322	\$1,219,810	\$406,603
Northwest Missouri State University	\$30,186,117		\$30,186,117	\$905,584	\$301,861
Missouri Southern State University	\$26,231,242	-\$3,200,000	\$23,031,242	\$690,937	\$230,312
Missouri Western State University	\$21,246,755		\$21,246,755	\$637,403	\$212,468
Harris-Stowe State University	\$10,211,260	-\$750,000	\$9,461,260	\$283,838	\$94,613
University of Missouri	\$416,836,876	-\$600,000	\$416,236,876	\$12,487,106	\$4,162,369
<b>Four-Year Institution Subtotal</b>	<b>\$745,061,651</b>	<b>-\$4,550,000</b>	<b>\$740,511,651</b>	<b>\$22,215,350</b>	
<b>All Institutions</b>	<b>\$894,162,537</b>	<b>-\$4,550,000</b>	<b>\$889,612,537</b>	<b>\$26,688,376</b>	

**Equity (1% of FY 19 Core)**

Community Colleges	\$1,435,705
State Technical College of Missouri	\$55,304
Public Universities	\$7,405,117
<b>Total Equity Funding Proposed</b>	<b>\$8,896,125</b>

**Workforce Initiatives (6% of FY 19 Core)**

All Institutions	<b>\$55,854,867</b>
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**Total Performance Funding, Equity and Workforce Requests: \$91,439,368**

- \* Community college total does not include one-time \$2 million Skill Up funding or \$2.8 million for debt offset.
- \* Debt offset appropriations are not include in core calculations
- \* Does not include FY19 HSSU and MSSU one-time funding of \$250,000 and \$1,000,000 respectively (after vetoes).
- \* Includes FY19 increases for cooperative programs; 60% of original funding has been rolled into the cores.
- \* Governor's vetoes (\$1.5 Million) and UMKC/MSSU dental school allotments (\$1.8 million) total \$3.3 million.

## Tab 21 Attachment B FY 2020 Public College & University New Decision Items

### FY 2020 Proposed

<b>Returning Heroes for State Institutions</b>	Request funds to offset tuition that was waved by institutions for returning heroes. Section 173.900 states that institutions may report the amount of tuition waved in a fiscal year and include the amount in the following year's appropriation request.
<b>Community College Tax Refund Offset</b>	Increase debt offset spending authority by \$50,000 for a total of \$2.9 million.
<b>Missouri State University – Missouri Fine Arts Academy</b>	\$225,637 is requested to move the Missouri Fine Arts Academy funding from Department of Elementary and Secondary Education to the Department of Higher Education's budget.
<b>Lincoln University – Reallocate Funds from Land Grant to Core Funding</b>	\$109,680 to be moved from Land Grant line item to the core appropriations line item to accurately reflect the designation of the resources. In FY 2019, \$900,000 was moved from the Core Appropriation line to the Core; however, this amount should have been \$790,320.
<b>Lincoln University – Increase Land Grant match</b>	Increase funding by \$3,463,773 over the FY 2019 appropriation. This increase would reduce the funding gap each year. Additionally, this will allow the university to expand services and programs in Extension satellites throughout Missouri and expand research opportunities in the area of agriculture.
<b>Truman State University – Mental Health Initiative</b>	\$325,000 is requested for a masters-level program that would result in trained mental health professionals within two years. The funding includes the addition of faculty and staff; as well as, equipment and operational support for this new program.
<b>Northwest Missouri State University – Missouri Arboretum</b>	\$121,984 is requested for operation and upkeep of the Missouri Arboretum. This amount would allow Northwest to broaden testing of plants and maintain and grow indigenous plant populations while expanding the local educational resource to the rest of the state.
<b>Northwest Missouri State University – Horace Mann and Leet Center Lab School</b>	\$351,200 is requested for operational costs at the Horace Mann and Leet Center. These funds will accommodate an additional 45 preschool and elementary students and prepare skilled educators while enhancing diversity.
<b>Northwest Missouri State University – School of Agricultural Program Expansion</b>	\$450,000 is requested to expand professional-based opportunities in agricultural science, provide growth and innovative programming, and develop and increase agricultural lab for students
<b>Northwest Missouri State University – Core Increase</b>	An increase in core funding of \$1,549,477 is requested to develop, operate, and maintain a Center for Profession-Based Student Learning.
<b>Northwest Missouri State University – Maintaining Quality in Education</b>	\$3,002,032 is requested to cover annual increases in faculty and staff salaries to the market average.

<b>Missouri Western State University</b>	Increase debt offset spending authority by \$75,000 for a total of \$275,000.
<b>University of Missouri – Missouri Scholars Academy (MSA)</b>	\$235,000 is requested. In FY 2018, University of Missouri and UM system contributed 55% (\$235,000) of the total Missouri Scholars Academy budget (\$435,000). In order to make up the difference, MSA enacted a \$650 scholar activity fee. Additionally, MSA gave out 38 fee waivers to students on free and reduced lunch.
<b>University of Missouri – Alzheimer’s Program</b>	\$507,540 is requested for research funding and related administrative costs as allowed for statute.
<b>University of Missouri – State Historical Society</b>	\$1,475,000 (\$675,000 one-time request/\$800,000 recurring request) is requested for new building operational costs which were only partially funded in FY 2019. This would fund the balance of the core funds needed. This request also includes a request for three additional positions (library support specialist, archivist, event services manager) totaling \$300,000 inclusive of benefits.
<b>University of Missouri – State Seminary Fund</b>	\$3,275,000 is requested to reinvest \$3.0 million that will mature in FY 2020 and distribute earning of \$275,000 to the University.