



Tab 23

Report on the Higher Education Student Funding Act

Coordinating Board for Higher Education
September 12, 2018

BACKGROUND

The Higher Education Student Funding Act (HESFA) sets the amounts by which public institutions may increase tuition without incurring a financial penalty. For all practical purposes, HESFA exempts community colleges from its requirements. HESFA provides that institutions with tuition above the state average may increase tuition by the same percentage as the increase in the consumer price index (CPI) for the preceding year. Institutions at which tuition is below the average may increase their tuition by an amount equal to the percentage change in the CPI times the average tuition. Institutions that increase tuition at a rate that exceeds the statutorily permitted amount must pay a fine of 5% of their state operating appropriation unless the fine is totally or partially waived.

The commissioner of higher education may waive that fine if the institution requests that it be waived and the commissioner finds that the increase is sufficiently warranted. If the commissioner determines the increase is not sufficiently warranted, he/she recommends to the full Coordinating Board for Higher Education that the institution be required to remit an amount of up to 5% of its current year state operating appropriation to the board. The Coordinating Board makes a binding and final decision, by means of a majority vote, regarding the matter.

Although HESFA has been in effect since 2007, the only year for which institutions have only sought waivers prior to 2018 was 2011-2012. In that year, Harris-Stowe State University, Lincoln University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Truman State University, and the University of Missouri sought waivers.

- The commissioner determined that the increases proposed by Harris-Stowe State University, Lincoln University, Northwest Missouri State University, Truman State University, and the University of Missouri were sufficiently warranted and that no penalty should be imposed. Then-Governor Nixon subsequently withheld funds from the University of Missouri at a higher rate than for other institutions.
- The commissioner determined that the increase initially proposed by Missouri Southern State University was not sufficiently warranted. The institution reduced the proposed increase. The commissioner concluded that the revised increase was not sufficiently warranted, but still recommended that the institution not be fined.
- Dialog between the commissioner and Missouri Western State University was ongoing when then-Governor Nixon withheld funds from MWSU and the University of Missouri at a higher rate than for other institutions. At the request of the commissioner, MWSU's board of governors reduced the proposed increase and the commissioner found the new increase to be sufficiently warranted. No penalty was imposed by the commissioner or the Coordinating Board.

2018 CURRENT STATUS

In early 2018, department staff notified institutions as to which were above and below average tuition for the 2018-2019 academic year and the rate of change in the CPI for the applicable period, which is 2.1%. The commissioner distributed a link to the HESFA waiver request process and a reminder that waiver requests must be submitted on March 1, May 1, or July 1.

The MDHE received one notice of tuition change that triggered the fine provisions of HESFA if the institution did not request and receive a waiver of that provision.

On April 25, 2018, Missouri Southern State University (MSSU) requested to increase its annual tuition by \$900, or 14.83%. The maximum increase permitted for MSSU without triggering the fine provision of HESFA is \$147.14. On May 10, 2018, the commissioner notified MSSU that this increase triggered the fine provision of HESFA and provided information about how to request a waiver. On May 22, 2018, MSSU submitted a waiver request. Per CBHE policy, the request was posted on the MDHE website for public comment for a period of two weeks which ended on June 19, 2018. The public comment resulted in 56 comments received. Fifty of those were in favor and six were against the waiver being approved.

On July, 3, 2018, per CBHE policy, the commissioner held a meeting with MSSU in order for the institution to present its rationale for the requested 15% increase and justification for the waiver of the penalty.

On July 17, 2018, MDHE formally notified MSSU that the request for a waiver was denied and suggested a compromise by encouraging MSSU to submit an amended tuition waiver within 10 days in order to avoid incurring a penalty.

On July 30, 2018, MSSU elected to amend their tuition request and move forward with a two-year phase-in of the 14.83% increase with 9.9% in the 2018-2019 academic year and the balance of the increase in the 2019-2020 academic year. MSSU may increase further if allowed under new version of law. As a result, the Commissioner is not recommending a penalty be assessed.

NEXT STEPS

The commissioner will evaluate any requests for waivers of the fine provision, determine whether any increases above the statutorily permitted amount are sufficiently warranted, recommend a fine, and asked the Coordinating Board to make a final decision about the amount of the fine.

RECOMMENDATION

This is an information item only.

ATTACHMENT

Current HESFA Tuition Waiver Timeline

Tab 23 Attachment Current HESFA Tuition Waiver Timeline

