



Findings in the audit of Public Higher Education Funding And Affordability

Background

Higher education provides important private and public benefits, and multiple parties are involved in financing higher education costs. The Coordinating Board for Higher Education with support from the Missouri Department of Higher Education (MDHE), provides oversight of public higher education institutions in the state. In 2007, the Missouri General Assembly established the Higher Education Student Funding Act (HESFA), which gives the Coordinating Board and the Commissioner of Higher Education a role in reviewing the tuition setting process. The HESFA limits the amount a public institution may increase in-state undergraduate tuition to the increase in the Consumer Price Index. The MDHE and Coordinating Board are charged with ensuring the 13 Missouri public 4-year institutions and the State Technical College of Missouri are in compliance with the HESFA.

Trends in Public Higher Education Funding

Combined net tuition and fees to attend Missouri's 4-year public institutions have continued to increase at rates faster than inflation since the implementation of the HESFA, while in-state undergraduate tuition alone has grown at rates slower than inflation. To grow overall net tuition, some school officials indicated they have pursued non-resident, graduate, and international students, for whom HESFA doesn't limit tuition increases. National data show in-state undergraduate tuition at Missouri's public 4-year institutions has had the lowest rate of increase of any state in the nation since 2008, and ranked below the national average for in-state undergraduate tuition per full-time student for the 2015-2016 school year. However, institutions have consistently increased supplemental fees as a way to generate additional revenue. Since the implementation of HESFA, supplemental fees at Missouri's 4-year public institutions increased, both overall and per full-time student. From fiscal year 2009 to 2015, supplemental fees have increased 138 percent overall and 112 percent per full time equivalent student.

State appropriations for Missouri's 4-year public institutions decreased 9 percent from 2009 to 2015, even as enrollment has grown by 12 percent. Missouri ranked 43rd nationally in state higher education funding per \$1,000 of personal income for the 2014-2015 school year, and state appropriations per full time equivalent student declined a total of almost 28 percent from 2008 to 2014. To compensate, schools have utilized several strategies to contain spending and improve efficiency, holding the growth in expenditures below the rate of inflation. These measures include administrative savings by not filling vacant positions, freezing merit and cost of living raises, and reducing operating budgets; deferring some capital maintenance needs; and saving on educational services by increasing class sizes and eliminating or combining some departments and programs. The state has approved approximately \$200 million in additional funding during fiscal years 2016 and 2017 to address infrastructure maintenance and improvements at campuses statewide.

Affordability of Public Higher Education

Reductions in state appropriations have resulted in a greater portion of public higher education costs being passed along to students and families. In addition, reductions in overall state grant aid, and specifically reductions in

the amount of need-based aid, have also had a negative impact on the affordability of higher education for students in the state.

Higher Education Student
Funding Act

The MDHE has not formally defined the term "required fees." How this term is defined will have a significant impact on implementation and evaluation of the HESFA, and the affordability of higher education in Missouri. While the MDHE has generally ensured tuition increases follow the HESFA restrictions, procedures to calculate allowable tuition levels are not adequate, tuition and fee information provided by the institutions is not verified, and documentation of the tuition review process is not always maintained.

Because of the nature of this report, no overall rating is provided.