Formula Funding Revision Update

Board of Regents
Finance Committee

August, 2008
Formula Funding Revision

• Formula Funding Workgroup
  – Brenda Albright, National Panel Member and Chair
  – Representatives from:
    » Management Boards
    » System Offices
    » Campuses
    » Faculty
    » PAR
    » LABI

• Technical Sub-Group
• Series of Working Meetings
• Meetings with System Presidents and Senior Staff
Formula Funding Revision

• Basic Objectives

  – Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue determined on “policy” basis
Formula Funding Revision

• Basic Objectives
  – Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue determined on basis of “policy”

• Significant Policy Issues Emerge
  » How should Louisiana’s relatively low tuition & fees rates be treated? Should tuition & fees be maintained at relatively low rates?
  » Should a more strategic approach based upon ATFA considerations (i.e. Appropriations, Tuition and Financial Aid coordination) be pursued?
State Funding per FTE Student, SREB Four-Year Institutions – 2006-07

North Carolina $10,148
Maryland $9,085
Florida $8,881
Georgia $7,901
Mississippi $7,301
Arkansas $7,285
Alabama $7,229
Kentucky $7,202
Delaware $7,016
Tennessee $6,628
Texas $6,617
Oklahoma $6,505
Virginia $6,441
Louisiana $6,069
South Carolina $5,266
West Virginia $4,039
SREB Avg. $7,332

Source: SREB Data Exchange
Tuition/Fees Revenue per FTE Student, SREB Four-Year Institutions – 2006-07

Appendix B

Source: SREB Data Exchange
Total Public Funding per FTE Student, SREB Four-Year Institutions – 2006-07

- Delaware: $14,252
- Maryland: $8,887
- South Carolina: $10,014
- North Carolina: $4,538
- Kentucky: $7,423
- Oklahoma: $6,482
- Virginia: $7,287
- Alabama: $6,019
- Texas: $6,282
- Florida: $3,588
- Arkansas: $5,091
- Tennessee: $5,666
- Georgia: $3,993
- Oklahoma: $5,287
- West Virginia: $6,152
- Louisiana: $5,838
- SREB Avg.: $13,170

Source: SREB Data Exchange
State Funding per FTE Student, SREB Four-Year Institutions – 2006-07

North Carolina: 10,148
Maryland: 9,085
Florida: 8,881
Georgia: 7,901
Louisiana: 7,573
Mississippi: 7,301
Arkansas: 7,285
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SREB Avg.: 7,332

Source: SREB Data Exchange

2007-08 Value: 103%

Appendix B
Tuition/Fees Revenue per FTE Student, SREB Four-Year Institutions – 2006-07

Source: SREB Data Exchange
Total Public Funding per FTE Student, SREB Four-Year Institutions – 2006-07

Source: SREB Data Exchange
## State Funding per FTE Student, SREB Two-Year Institutions – 2006-07

<table>
<thead>
<tr>
<th>State</th>
<th>Funding per FTE Student</th>
</tr>
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<tbody>
<tr>
<td>Maryland</td>
<td>6,639</td>
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<td>Delaware</td>
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<td>SREB Avg.</td>
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Source: SREB Data Exchange

2007-2008 Value: 98.6%
Tuition/Fees Revenue per FTE Student, SREB Two-Year Institutions – 2006-07

- Maryland: $4,315
- South Carolina: $3,759
- Kentucky: $3,459
- Tennessee: $3,036
- Delaware: $2,833
- Arkansas: $2,647
- Virginia: $2,609
- West Virginia: $2,577
- Louisiana: $2,577
- Alabama: $2,436
- Oklahoma: $2,300
- Florida: $2,209
- Mississippi: $2,208
- Texas: $2,144
- Georgia: $2,139
- North Carolina: $783
- SREB Avg.: $2,280

Source: SREB Data Exchange
Appendix B

Total Public Funding per FTE Student, SREB Two-Year Institutions – 2006-07

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Source: SREB Data Exchange

103%
Formula Funding Review

• Basic Objectives
  – Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”
  – Greater Sensitivity of Funding Values to Role, Scope and Mission
Formula Funding Review

• Basic Objectives
  – Greater Sensitivity of Funding Values to Role, Scope and Mission

• Need for Program Specific Values
  – Past approach has been to determine what is “appropriate” financial support of an institution overall as reflected from broad SREB “peer” data on State Appropriations
  – Proposed approach is to use programmatic “cost-based” analysis, based on total costs, to assess costs of each institution’s mix of programs and distribution of actual enrollment. National data for determination of other functional areas
Formula Funding Review

• Basic Objectives

  – Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”

  – Greater Sensitivity of Funding Values to Role, Scope and Mission

  – More Current Formula Values
Formula Funding Review

• Basic Objectives

  – More Current Formula Values

  • Incorporate method of projecting the cost base out to the relevant time period:

    – Faculty salaries, derived from SREB averages, and other cost factors can be projected out into new budget year based on inflationary assumptions
Formula Funding Review

- Basic Objectives
  - Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”
  - Greater Sensitivity of Funding Values to Role, Scope and Mission
  - More Current Formula Values
  - Performance Funding Strategies Connected to Master Plan
Formula Funding Review

• Basic Objectives
  – Performance Funding Strategies Connected to Master Plan

• How to Structure the “Performance” Components?
  – Performance Incentives – “embedded”
  – Performance Awards – “awards earned through demonstrated performance”
Formula Funding Review

• Basic Objectives
  – Performance Funding Strategies Connected to Master Plan

• How much of the Formula Funding Mechanism should be based on “Costs” vs. “Performance”?
  – How do “Performance” factors/strategies fit into the overall funding picture? How much “base” operational costs are put at risk if new funding is not made available?
Formula Funding Review

– Overall Structure of the Formula

• “Core” Component

• “Embedded Performance Incentives”

• “Performance Awards”
Formula Funding Review

– Overall Structure of the Formula

- “Core” Component
- “Embedded Performance Incentives”
- “Performance Awards”

These together count toward the “Performance Funding” Goal

These will total 15% - 25% of Formula Funding
Formula Funding Review

– Structure and Components of “Core”

• “Base” Instructional SCH Values
  – Standard Calculation:
    » Faculty Salaries
    » Student/Faculty Workload
    » Full-time Student Course Load
  – Derived “Base” $’s/SCH
  – Unique to Category of Institution

• Relative Cost Matrix
  – Discipline Groups
  – Unique Considerations for “Vocational Training”
Formula Funding Review

– Additional Cost Factors
  • Academic Services Factor Added for:
    – Academic Support
    – Libraries
    – Scholarships and Fellowships
  
  • General Administrative Services
    – Institutional Support
    – Student Services
  
  • OP&M
Formula Funding Review

– Performance Funding Strategies

• Performance Incentives
  – Research
  – Workforce Development
  – Progression
  – Targeted Enrollment
  – Completers

• Performance Awards
  – Measured Performance against Benchmarks and Targets
  – System Plans
  – Regents Plan
Formula Funding Review

– Performance Funding Strategies

• Performance Incentives
  – Research
  – Workforce Development
  – Progression
  – Targeted Enrollment
  – Completions

  Currently in Formula Simulations

  Under Consideration

• Performance Awards
  – Measured Performance against Benchmarks and Targets
  – System Plans
  – Regents Plan
Historical Context
Appendix B

Formula Requirements and Appropriations
FY1974-75 to 2007-08

- Formula Requirement: Based on “Average” Peer Funding Levels
- Actual State Appropriations

Graph showing the trend of millions of dollars from FY1974-75 to 2007-08, with separate lines for Formula Requirements and Appropriations.
Formula Funding Review

• Next Steps
  – Continue to review and resolve remaining technical issues (i.e. specific values, etc.)
  – Complete the Workforce Development component
  – Finalize Performance elements
  – Develop implementation strategy
  – Formulate Policy framework for determination of State and Student Support