

2000 USHE Master Planning Task Force on Formula Funding

Regent Charles E. Johnson, Chair

HIGHER EDUCATION FUNDING FORMULA

- **Scope of the Formula** - The formula is designed to fund increases in Instruction for new and existing students. Instruction funding increases include additional dollars to maintain quality for both compensation and non-compensation budgets. The formula also provides compensation increases for state-appropriated compensation budgets in Public Service and Research.
- **Financing Mechanism** - The financing mechanism justifies a single dollar amount of state tax funds to address minimum state-supported needs. This is done through three steps:
 1. Calculating the additional costs associated with new students using actual full instructional cost (direct instruction plus overhead) for each institution and level of instruction.
 2. Providing an incremental percentage increase on the existing budget for Instruction (direct instruction plus overhead).
 3. Providing an incremental percentage increase for state-appropriated compensation budgets in Public Service and Research.

Once the total cost of these increases is calculated, it is offset by an assumed tuition amount of 25% to generate the minimum state tax funds request.

- **Allocation Mechanism** - Using the tax funds dollar amount from the financing mechanism, the allocation mechanism distributes the funding according to the following principles:
 1. **Enrollment Changes.** Fund enrollment changes using the traditional enrollment formula for direct costs with an enhanced factor for indirect costs. The tuition offset represents the calculated amount of additional revenue from new students based on their level (graduate or undergraduate) and residency.
 2. **Base Support - Instruction.** Allocate sufficient additional base funding for institutions to increase the entire Instruction budget by 4%. Instruction includes the School of Medicine at the University of Utah and the Skills Center at Salt Lake Community College. It also includes the overhead at each institution related to Instruction. The tuition offset is derived from the institution's base budget for tuition.
 3. **Base Support - Non-Instruction.** Funding is allocated for institutions to provide a designated compensation increase for non-Instructional (i.e. Research and Public Service) functions of the institution, along with compensation in their associated overhead. No tuition offset is associated with the allocation of these funds.
 4. **Core Support - Salary Equity Phase 2, Funding Equity, Libraries, Technology, and Student Financial Aid.** Funding is allocated to strengthen these core institutional activities that directly affect the instruction of students.

2002 USHE Master Planning Task Force on Funding

Regent Nolan Karras, Chair
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Notes from July 12, 2002 Meeting Southern Utah University

1. Task Force Members Present:

Regent Nolan Karras, Chair	President Bernard Machen, University of Utah
Regent Jerry Atkin	Brad Mortensen, Commissioner's Office
Paul Brinkman, University of Utah	Regent Jed Pitcher
President Lynn Cundiff, SLCC	President Kerry Romesburg, UVSC
Commissioner Cecelia Foxley	Regent Sara Sinclair
Regent Brent Hogan	Mark Spencer, Commissioner's Office
President Bob Huddleston, Dixie State College	Norm Tarbox, Weber State University

2. Task Force Members Excused:

Regent George Mantes

3. Others Present:

President Greg Fitch, UCAT	Kirsten Stewart, Salt Lake Tribune
Linda Fife, Commissioner's Office	Twila Van Leer, Deseret News
Boyd Garriott, Legislative Fiscal Analyst's Office	Regent Maria Sweeten

4. Review of 2000 Task Force on Formula Funding and Comprehensive Funding Formula

The Task Force reviewed the work of the 2000 Task Force on Formula Funding and the comprehensive higher education funding formula for 2001-2002 that was presented to the 2001 Legislature. Members of the group agreed that the formula was built upon sound principles, providing support for new students, existing students, state-funded research and public service, and other core Regent initiatives. Problems arose, however, as the formula went forward to the Legislature where potential funding for higher education was not enough to completely fund the formula. At that point, funding for new students took precedence over other formula aspects, causing the formula to "break apart." Because of the large number of new students and concerns over available revenue, the comprehensive formula was not included in the 2002-2003 funding request to the 2002 Legislature.

The group discussed what steps could be taken to hold the formula and the system together if the Legislature begins to consider funding the formula at less than the full amount. Chair Karras recommended that the Master Planning Task Force on Funding focus on the theory of the formula, and to utilize the Presidents, Resource and Review Committees, and Boards of Trustees to be active to educate the Legislature on the merits of the formula so that it can be implemented.

5. Directions for 2002 Task Force on Formula Funding

The group discussed strategies, analyses, and potential actions that would not only help to educate the Legislature on the needs of higher education, but also identify areas for increased efficiencies within the system. A number of potential ideas discussed are included below:

- **Five-year Cost Projections** – By developing a model that projects the costs of educating our student population over the coming five years, policy makers can examine the alternatives and consequences of different legislative actions. This kind of analysis will help to force policy discussions about how to handle the growing population of students within the system if adequate funding is not provided, whether institutions stop admitting growing numbers of students or whether they increase class size, hire more adjuncts, or “water the soup” in other ways. It also may initiate discussions about instructional delivery methods, including on-line instruction, and how these methods can help alleviate cost pressures
- **Tuition Structures** – The group suggested an analysis of tuition structures to discuss reasonable tuition levels across institutions and to what degree students can be expected to pay the costs of higher education.
- **Internal Efficiencies** – Regents listed a number of internal efficiencies that could be pursued as a means to free-up additional limited resources for instruction. Efficiencies included the consolidation of certain institutional support functions such as accounting or legal services. Other efficiencies included the possibility of limiting campus expansion, including physical facilities and programs, and developing a shopping list of innovations, while maintaining systems of differentiation to provide the needed educational experiences.
- **Peer Group Analysis** – Some members of the group suggested that additional work be done to compare USHE institutions with peer institutions across the country to set up an overall picture for how USHE institutions compare. This kind of comparison is particularly needed for salary competitiveness.
- **Other Revenue Sources** – Another alternative would be exploring the potential for other outside revenue sources, such as local taxation for community colleges which is done in other states.

6. Relationship of UCAT to Funding Task Force

President Greg Fitch of UCAT urged the task force to recognize UCAT as part of the plan but to be careful about including them in a formula at this point in time.

7. Other Items

Chair Karras suggested that the Funding Formula Task Force coordinate their efforts closely with other Master Planning committees. He also requested a report card on the Regents Master Plan 2000 to better understand the progress that has been made over the last two years.

8. Next Meeting

The next meeting of the task force was scheduled for Tuesday, August 6, 2002 at 8:00 am at the Board of Regents Offices.

“The Formula”
Concept DRAFT for Discussion Only
September 27, 2002

Appropriations by the Legislature to the institutions of Higher Education beyond the current year's appropriation (or base budget) will be made using a formula consisting of the following four elements:

- New Student Support, meaning the cost of providing instruction students enrolled in the system above the funded level.
- Existing Student Support, meaning the cost of providing instruction to students currently enrolled and funded in the system.
- Public Service, Research, and non-instruction programs, meaning the state share of supporting non-instructional programs that provide services to students and the community.
- USHE Core Issues, meaning funds allocated by the Board of Regents for system-wide priorities such as libraries, technology, salary equity initiatives, base equity adjustments, additional financial aid, and productivity, quality or efficiency initiatives.

Operational and maintenance for new facilities will be appropriated separately from the formula as recommended by the State Building Board.

By December 1 of each year, the State Board of Regents, after hearing the budget requests of each institution, shall recommend to the Legislature and the Governor the percentage to be allocated for each of these four elements of the formula, and a written justification of their proposed allocation. This recommendation shall be included with the System's annual budget request. The Legislature shall approve or modify the Regents allocation then apply funds appropriated to the System above the previous year's base budget according to the formula.

As part of its formula, the Board will include recommendations for employee compensation including health and dental benefits. The Legislature shall fund compensation increases for USHE employees (including for health and dental insurance) on a fair and equal basis as provided other state employees. To maintain equitable treatment, the percentage allocations in the formula may need to be adjusted based on the Legislature's compensation package for public employees.