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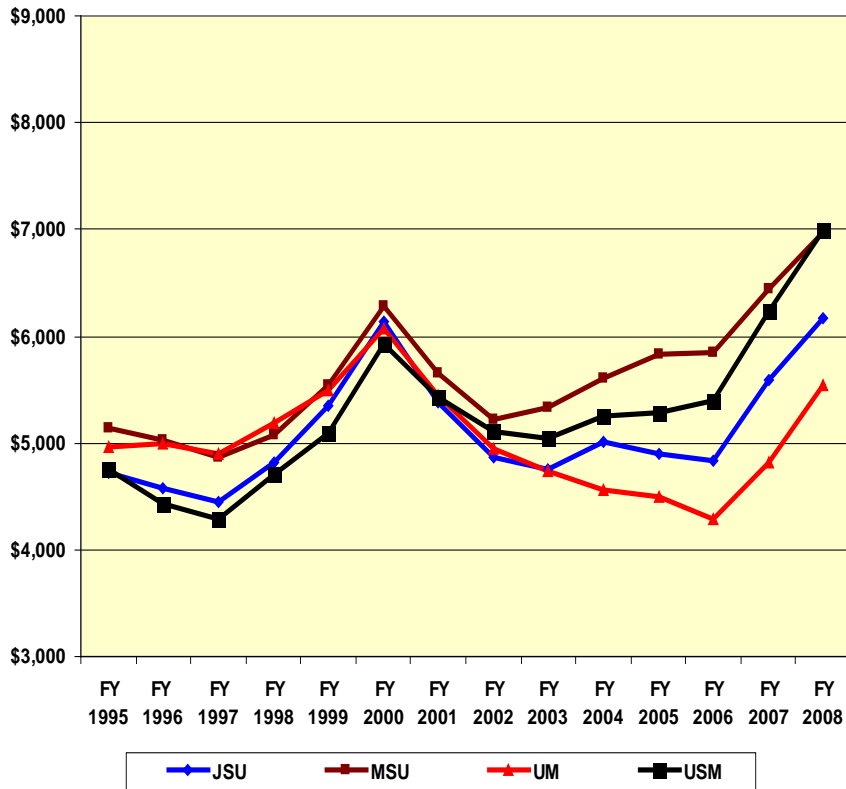
Rebalancing State Appropriations

April 16, 2008

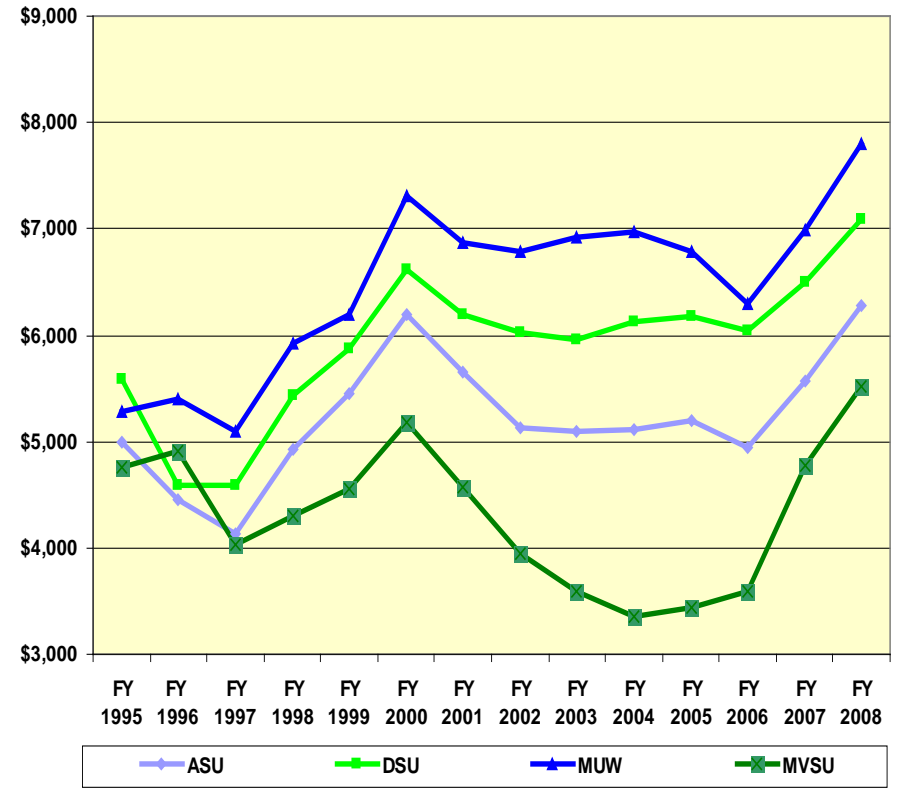


Appropriations per FTE excluding Ayers 1995 to 2008

Mississippi Institutions of Higher Learning
APP/FTE
FY 1995 to FY 2008



Mississippi Institutions of Higher Learning
APP/FTE
FY 1995 to FY 2008





How we got here?

Mid 1990s

Board of Trustees adopted an allocation methodology of *constant percentage funding*.

- Allocations were distributed using a constant percentage for each university except for Legislatively-designated line items and *Ayers* funding.
- Method assumed no changes in enrollments or productivity.
- Funds were distributed to universities without regard to mission or productivity.

Resulted in the need to rebalance funds among universities.



Past Equity Adjustments

Actions by Board of Trustees to address the problem began in FY 2006.

- **FY 2006 - \$ 457,440 (MVSU)**
- **FY 2007 - \$1,000,000 (MVSU & UM)**
- **FY 2008 - \$1,000,000 (UM)**



Current Allocation FY 2008



Current Allocation

without Legislatively-Designated Line Items, Board Initiatives & Ayers Funding

FY 2008

Institution	FY 2008 FTE	FY 2008 Appropriation Allocation	FY 2008 APP/FTE
ASU	3,235	\$ 20,274,580	\$ 6,267
DSU	3,379	23,160,557	6,854
JSU	6,799	40,580,608	5,969
MSU	14,438	99,031,766	6,859
MUW	2,041	15,760,396	7,722
MVSU	2,860	15,780,434	5,518
UM	14,637	80,047,736	5,469
USM	12,974	89,870,168	6,927
System	60,363	\$ 384,506,245	\$ 6,370

A formula was adopted November 2003 incorporating both university missions and productivity in the allocation of available funding.

Formula is rational and objective.



**Mississippi State Institutions of Higher
Learning**

Funding Formula

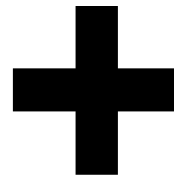
Adopted November, 2003

Instruction &
Administration
(I&A)

Based on weighted student credit hours

Capital
Renewal

Percent of Facilities Replacement Cost



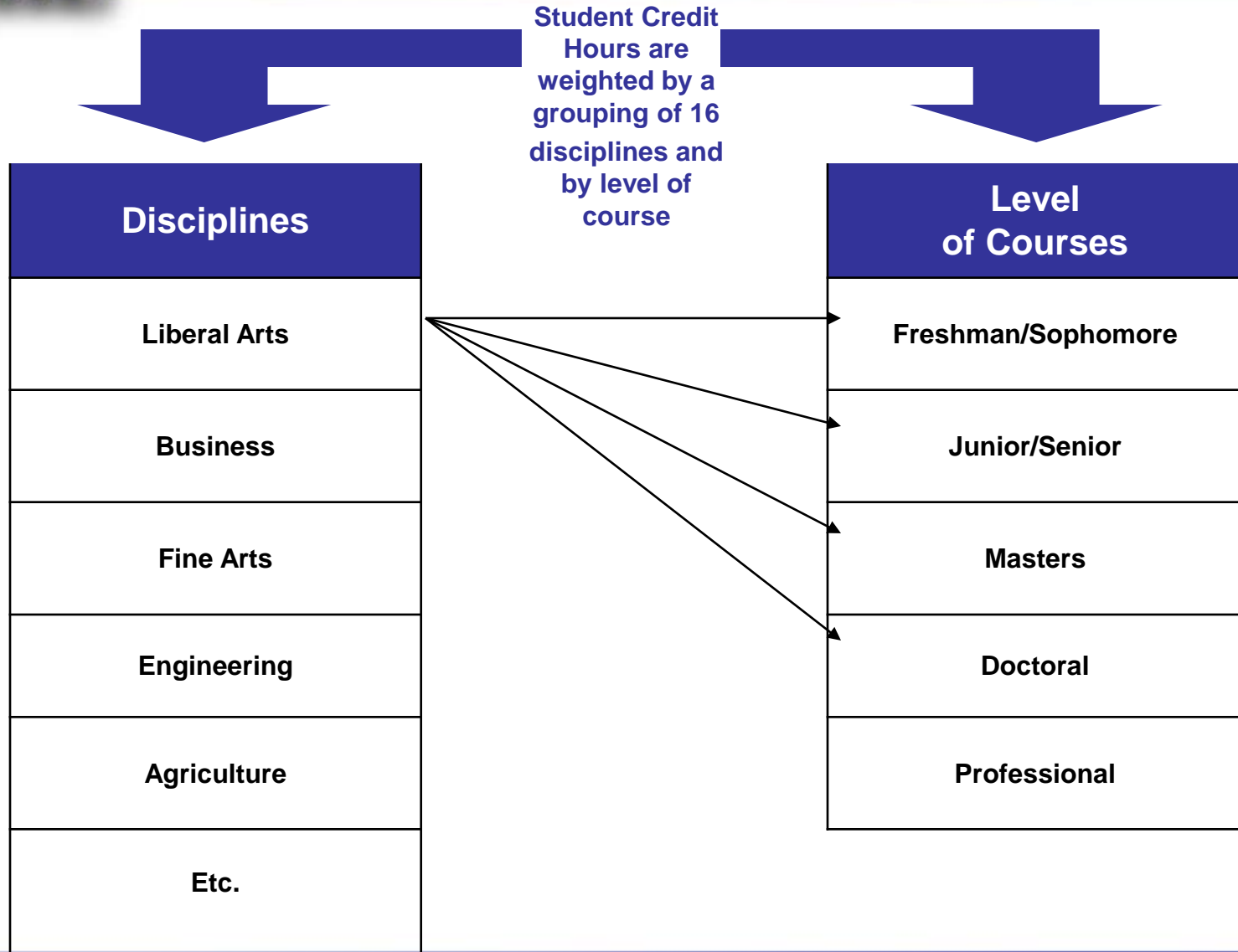
Facilities
Operations
(Infrastructure)

Small School
Supplement

\$750,000 to institutions with 5,000 or fewer
students and less than 110% of SREB Peer
APP/FTE



Instruction and Administration





Student Credit Hour Weights Used in Formula

Disciplines	Categories				
	Freshman/ Sophomore	Junior/ Senior	Masters	Doctoral	Professional
Agriculture, Forestry, Architecture, Urban	2.05	2.54	6.64	16.37	
Business Administration	1.41	1.59	4.59	13.91	
Education, Teacher Education	2.43	2.57	3.23	9.95	
Engineering	3.01	3.46	8.20	21.40	
Fine Arts	1.85	3.11	6.51	17.47	
Health Sciences	2.87	3.46	6.47	15.98	
Home Economics	1.58	2.12	4.34	10.79	
Law/Paralegal Studies	3.22	3.22	3.22	3.22	3.84
Liberal Arts and Social Sciences	1.00	1.96	3.94	12.04	
Library Science	1.45	1.52	4.22	12.26	
Military Technologies, Aerospace Studies, ROTC	1.00	1.96	3.94	-	
Nursing	4.91	5.32	6.49	16.32	
Pharmacy	4.00	4.64	9.00	19.11	9.00
Science, Math	1.53	3.00	7.17	19.29	
Social Services	1.64	1.84	5.80	11.92	
Technology	1.99	2.56	6.61		



Example of Student Credit Hour Weighting

Disciplines	Freshman/ Sophomore	Junior/ Senior	Masters	Doctoral
English				
Student Credit Hour Produced	1.00	1.00	1.00	1.00
Cost to Produce	1.00	1.96	3.94	12.04
Nursing				
Student Credit Hour Produced	1.00	1.00	1.00	1.00
Cost to Produce	4.91	5.32	6.49	16.32
Engineering				
Student Credit Hour Produced	1.00	1.00	1.00	1.00
Cost to Produce	3.01	3.46	8.20	21.40
Science & Math				
Student Credit Hour Produced	1.00	1.00	1.00	12.00
Cost to Produce	1.53	3.00	7.17	20.79



3-Year Average

Student Credit Hours Conversion to Weighted Student Credit Hours

CY 2005, 2006, & 2007

Institution	Student Credit Hours	Weighted Student Credit Hours	Ratio (On Average) 1 SCH = WSCH
ASU	94,896	217,281	2.29
DSU	99,092	226,331	2.28
JSU	193,683	451,192	2.33
MSU	409,258	1,077,587	2.63
MUW	61,513	148,452	2.41
MVSU	89,775	187,699	2.09
UM	420,373	1,000,229	2.38
USM	384,643	971,477	2.53
SYSTEM	1,753,233	4,280,248	2.44



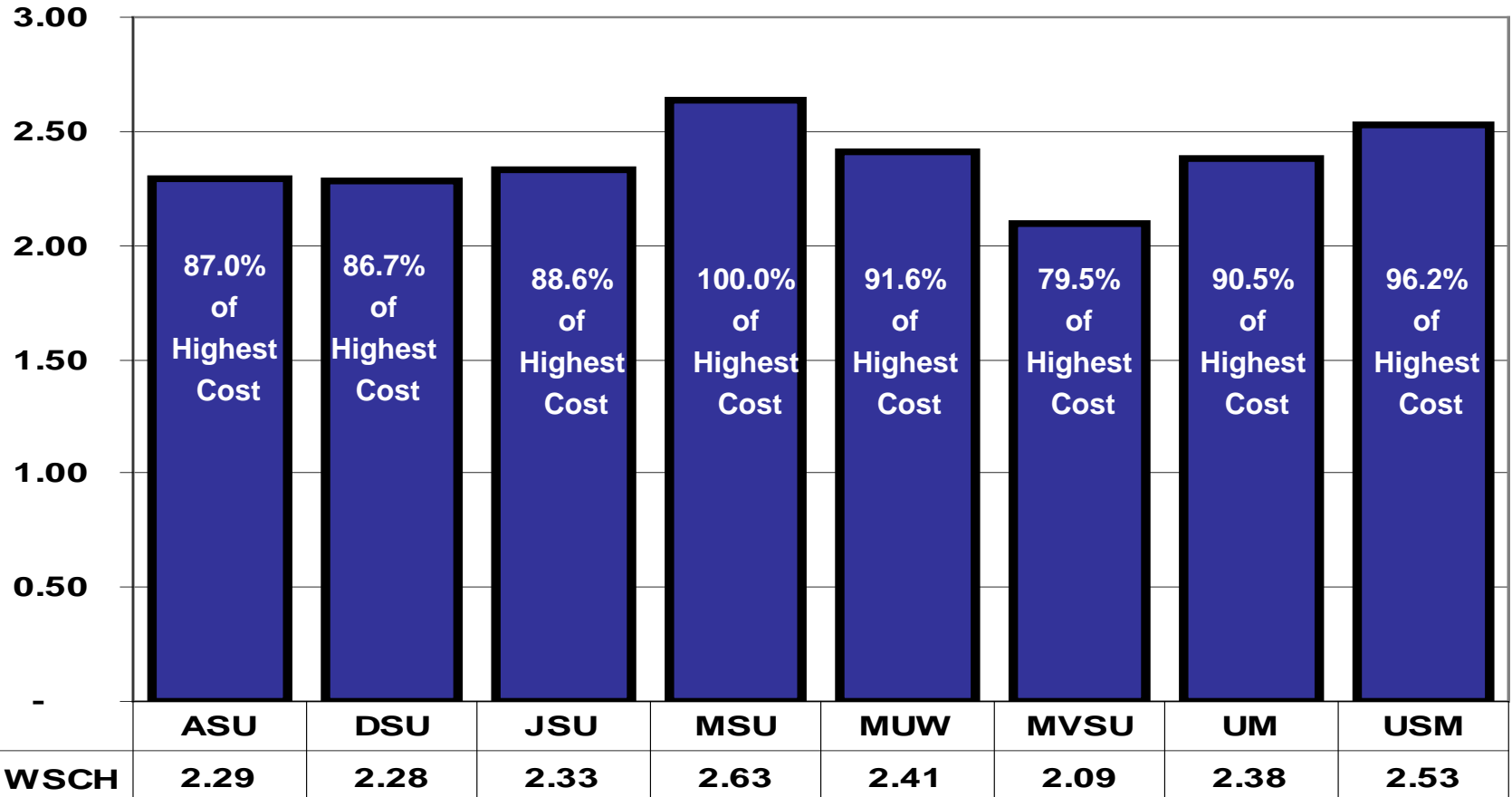
Relative Cost of Programs at Institutions

1 SCH on Average Equals WSCH

(Average for the System is 2.44)

FY 2009

The formula weights student credit hours based on various costs of disciplines. The chart reflects the value of one student credit hour after conversion to a weighted student credit hour based on the formula. The numbers, reflected in the chart below labeled SCH = WSCH, represents the average value of one student credit hour at the institution based on mission and productivity. APP/FTE should not be equal at all institutions.

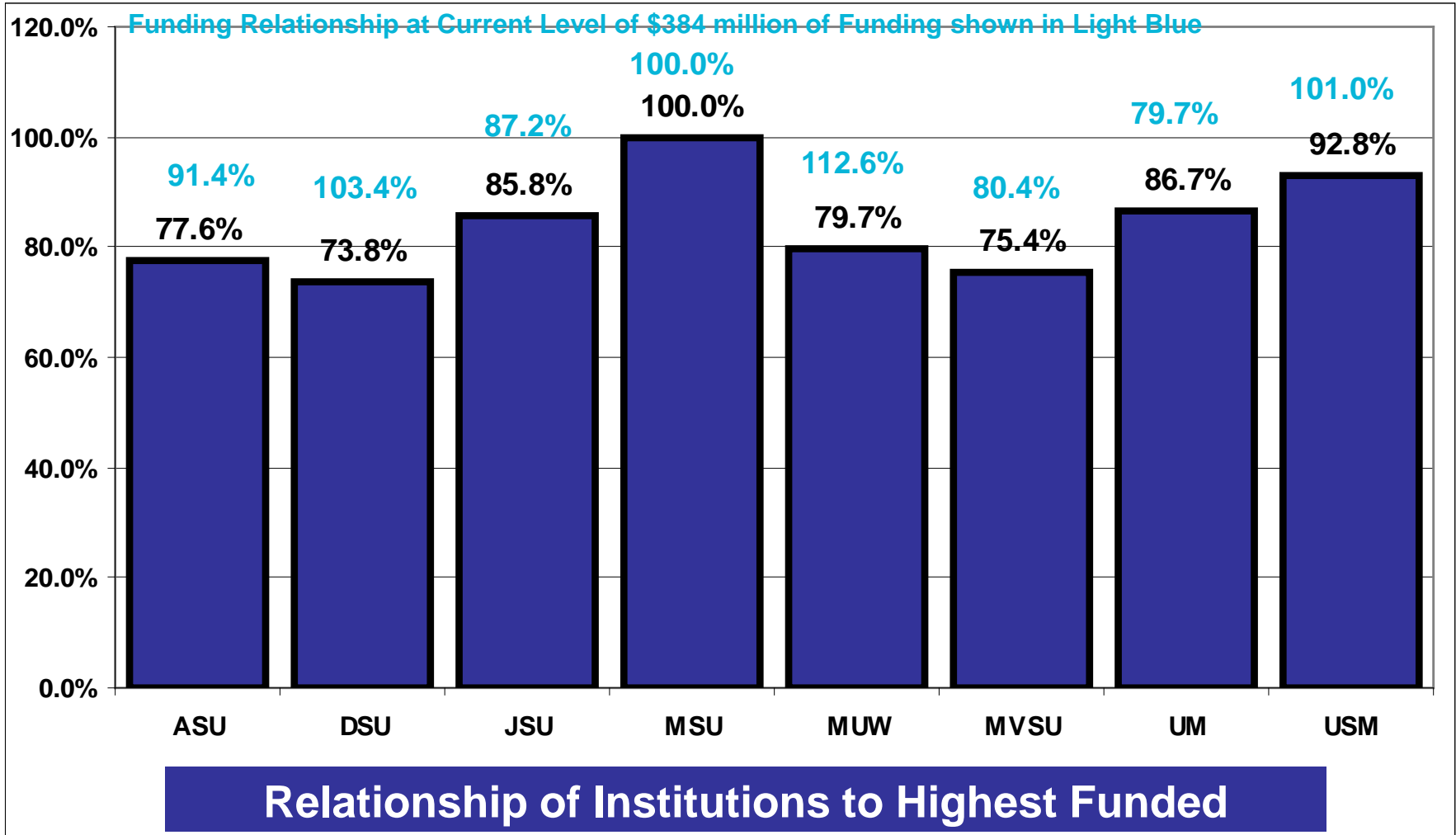




Relationship of Funding Needs Based on Formula Funding

Relationship of Funding per FTE
FY 2009

The chart represents total formula (instruction & administration, facilities operations, capital renewal, and small school supplement) divided by FTE. The chart represents the relationships of APP/FTE among institutions. For example, MUW would be 79.7% of MSU.



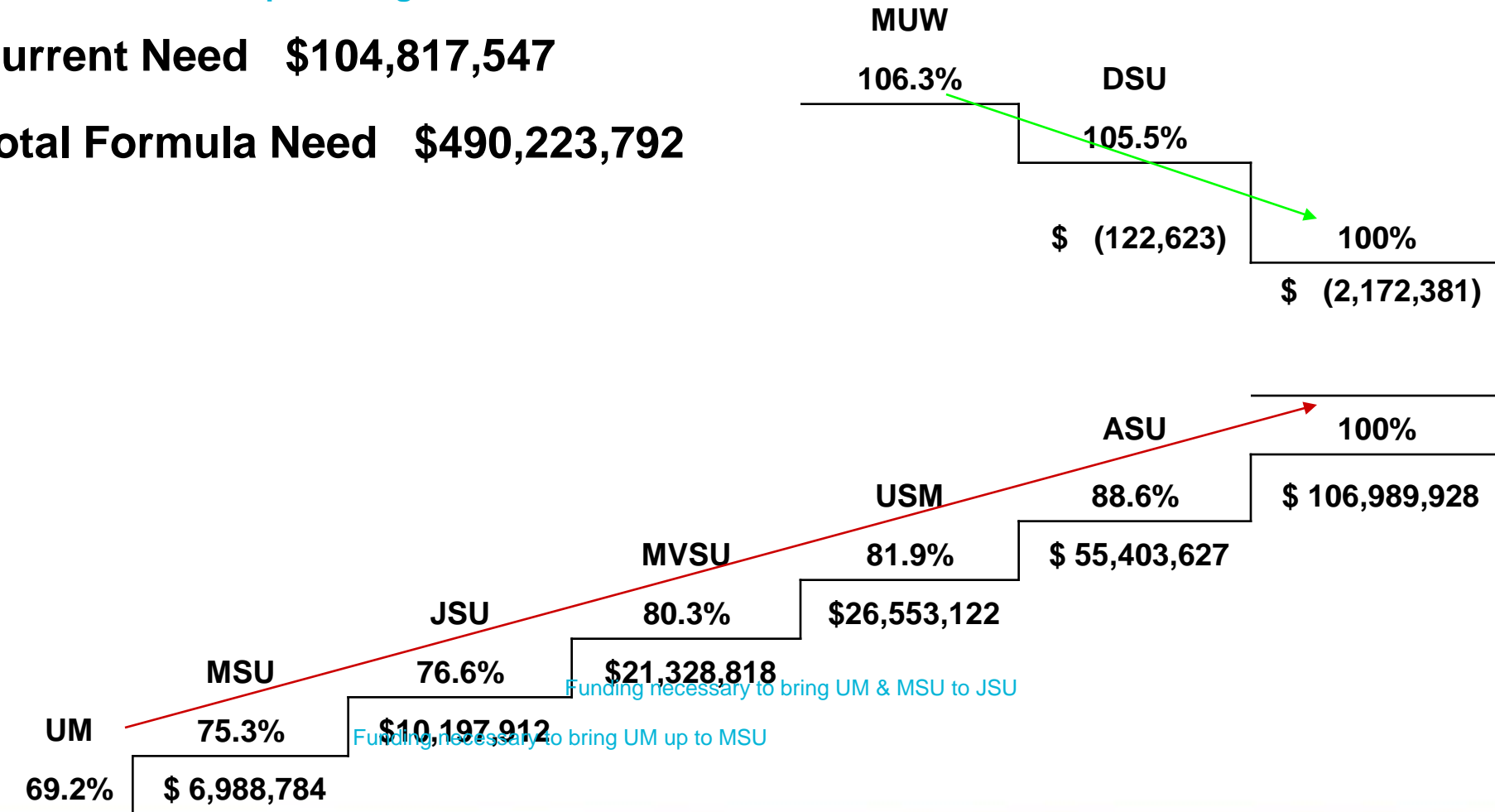


Current Allocation at 78.6% of Formula Based on Projected FY 2009

Equity is not just an issue for those institutions receiving more than the formula calculates; but there is also inequity among the institutions receiving less than the formula. The percentages reflect the current percentage of the formula each institution receives.

Current Need \$104,817,547

Total Formula Need \$490,223,792





Background

- **The recommendation is based on the FY 2009 Appropriation Conference Report.**
- ***Ayers* funding and Legislatively-designated line items have been excluded from calculations.**
- **The formula was used as the guide for rebalancing funds.**
- **Projections limited to one year since formula is dynamic with numerous variables affecting outcomes. Variables include:**
 - student credit hours produced,
 - enrollment,
 - number of faculty,
 - number of majors,
 - E&G expenditures,
 - research expenditures,
 - law library holdings,
 - current appropriation level,
 - costs of construction,
 - consumer price index,
 - SREB appropriation per FTE,
 - HECA and
 - future state appropriations



Summary of Appropriation Conference Report FY 2009

	FY 2009 Conference Report
General Support Appropriation Bill	\$ 421,219,857
Less Legal and Board Initiatives:	
<i>Ayers</i>	\$ 25,700,000
Course Redesign	1,000,000
System Audit	1,000,000
Nursing Faculty @ ASU, DSU, MUW & USM	316,383
Fringe Benefits Increase (Health)	567,174
Best Practices	60,000
Sub-Total	\$ 28,643,557
Less Legislative Designated Line Items:	
Institution	FY 2009
ASU	\$ 12,592
DSU	800,000
JSU	1,250,000
MSU	1,664,387
MUW	166,889
MSVU	-
UM	2,059,028
USM	750,000
Sub-Total	\$ 6,702,896
Allocable Amount through Formula	\$ 385,873,404



FY 2009

**State Appropriation
Conference Report**

Allocated using the Formula



FY 2009 Appropriation Conference Report Allocated using Formula as compared to FY 2008 Actual Funding

Institution	FY 2008 State Appropriations	FY 2009 Conference Report	Difference
ASU	\$ 20,274,580	\$ 18,011,438	\$ (2,263,142)
DSU	23,160,557	17,883,970	(5,276,587)
JSU	40,580,608	41,828,484	1,247,876
MSU	99,031,766	103,582,324	4,550,558
MUW	15,760,396	11,671,910	(4,088,486)
MVSU	15,780,434	15,476,578	(303,856)
UM	80,047,736	91,035,891	10,988,155
USM	89,870,168	86,382,809	(3,487,359)
System	\$ 684,506,245	\$ 385,873,404	\$ April 16, 2008 -13



Recommendation



Premise

1. The FY 2009 Appropriation Conference Report was used to calculate the recommendation.
2. Formula was used to rebalance funds so that each institution's allocation of appropriation is the same percentage of the formula.
3. Rebalancing would be phased over a five-year period in a way to lessen the initial impact to institutions to allow time for institutions to adjust variables.
4. Rebalancing should begin in FY 2009 and continue over the five-year period whether or not additional state appropriations are received.
5. Line items should be discouraged to prevent distortion of funding allocation.



Recommendation for Rebalancing Sum of the Years' Digits in Reverse over 5 Years

1. ***Rebalance over Five Years*** - For those institutions currently receiving more funding than the formula calculates using the FY 2009 Appropriation Conference Report, the difference would be ***phased out over five years***.
2. ***Smaller Dollars in Beginning*** - Rather than an equal amount each year, the reductions would be less in earlier years than in later years. The first year would ***rebalance 1/15th*** of the overage. The fraction of overage would be reduced each year by $2/15^{\text{th}}$, $3/15^{\text{th}}$, $4/15^{\text{th}}$, and $5/15^{\text{th}}$ over the next four years.
3. ***Use of Funds from Rebalancing*** - All new funds and funds from the rebalancing would be distributed to the institutions who are most underfunded. For example, first dollars would be allocated to the institution with the lowest percentage from the formula calculation. Once the percent funding of the second lowest is reached, both institutions would be brought up to the third lowest until funds are depleted.



Recommendation for Rebalancing Sum of the Years' Digit in Reverse – 5 Years

EXAMPLE of first year of a 5-year phase out for institutions receiving more than formula pro-rated to the current funding level =

Formula:

*Institution's FY 2008 Actual Appropriations
subtract
Institution's FY 2009 Formula Calculation
equals
Difference
times
1/15th
equals
Reduction Amount*



FY 2009 Appropriation Conference Report Allocated using Formula as compared to FY 2008 Actual Funding

Institution	FY 2008 State Appropriation	FY 2009 Conference Report Rebalanced in One Year	Difference
ASU	\$ 20,274,580	\$ 18,011,438	\$ (2,263,142)
DSU	23,160,557	17,883,970	(5,276,587)
JSU	40,580,608	41,828,484	1,247,876
MSU	99,031,766	103,582,324	4,550,558
MUW	15,760,396	11,671,910	(4,088,486)
MVSU	15,780,434	15,476,578	(303,856)
UM	80,047,736	91,035,891	10,988,155
USM	89,870,168	86,382,809	(3,487,359)
System	\$ 384,506,245	\$ 385,873,404	\$ 1,367,159



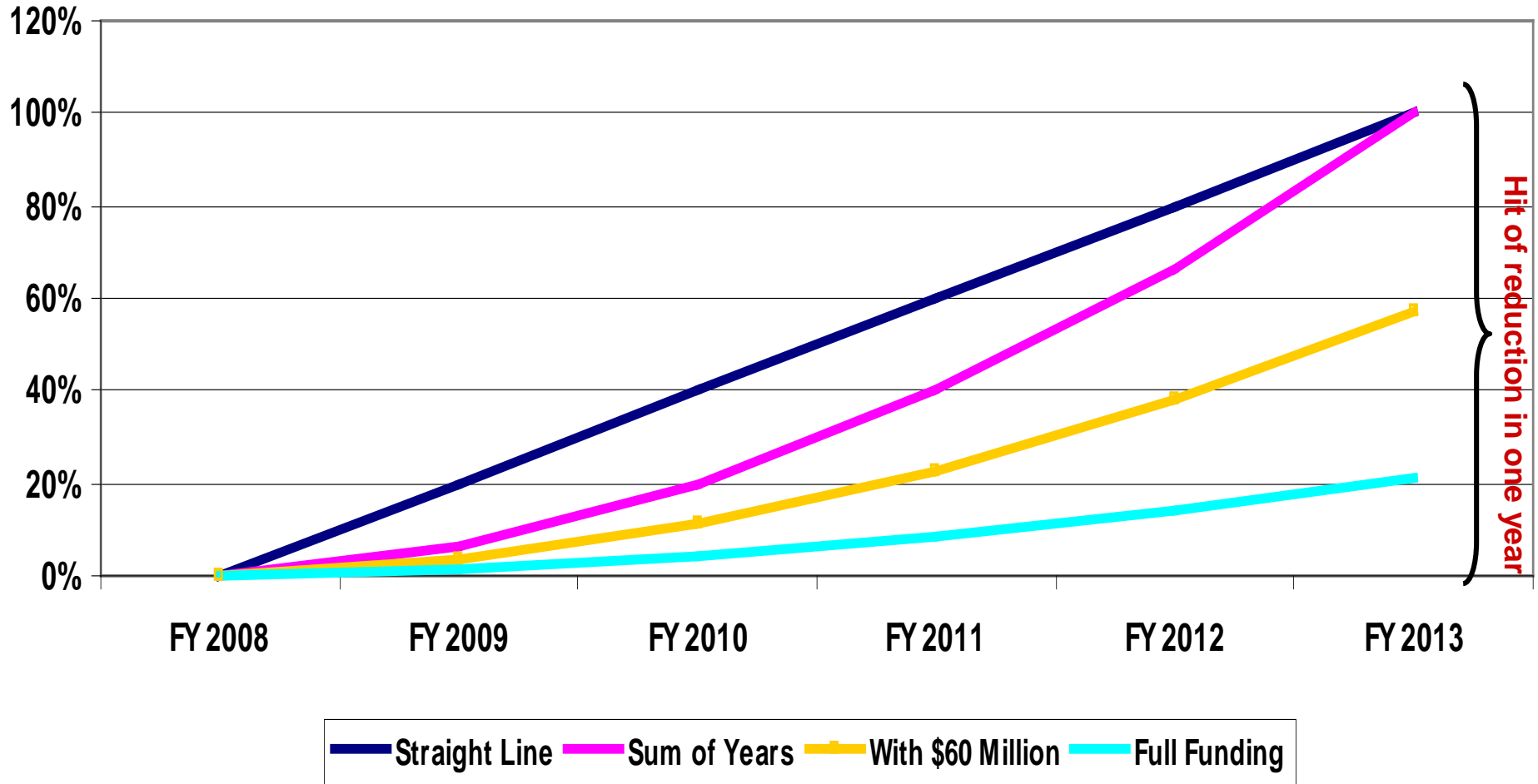
Sum of the Years' Digits in Reverse First Year Adjustment

Institution	FY 2008 State Appropriations	FY 2009 Conference Report after 1 st Year Rebalancing	Difference
ASU	\$ 20,274,580	\$ 20,123,704	\$ (150,876)
DSU	23,160,557	22,808,785	(351,772)
JSU	40,580,608	40,580,608	-
MSU	99,031,766	99,031,766	-
MUW	15,760,396	15,487,830	(272,566)
MVSU	15,780,434	15,760,177	(20,257)
UM	80,047,736	82,442,857	2,395,121
USM	89,870,168	89,637,677	(232,491)
System	\$ 384,506,245	\$ 385,873,404	\$ 1,367,159



Examples of Reduction Methodology

Reduction in Funding Over Five Years



Staff Recommendation

1. Staff recommends approval of rebalancing over 5 years using the Sum of the Years' Digits in Reverse methodology.
2. Staff recommends rebalancing to occur whether or not new funding is received.



Sum of the Years' Digits in Reverse First Year Adjustment

Institution	FY 2008 State Appropriations	FY 2009 Conference Report after 1 st Year Rebalancing	Difference
ASU	\$ 20,274,580	\$ 20,123,704	\$ (150,876)
DSU	23,160,557	22,808,785	(351,772)
JSU	40,580,608	40,580,608	-
MSU	99,031,766	99,031,766	-
MUW	15,760,396	15,487,830	(272,566)
MVSU	15,780,434	15,760,177	(20,257)
UM	80,047,736	82,442,857	2,395,121
USM	89,870,168	89,637,677	(232,491)
System	\$ 384,506,245	\$ 385,873,404	\$ 1,367,159



Sum of the Years' Digits in Reverse with ½ Year Rolling Calculation

Institutions	FY 2008 State Appropriation	FY 2009 Conference Report	Dollar Change	Percent of Formula	Percent Change from FY 2008
ASU	\$ 20,274,580	\$ 20,199,142	\$ (75,438)	88.3%	-0.4%
DSU	23,160,557	22,984,671	(175,886)	101.2%	-0.8%
JSU	40,580,608	40,580,608	-	76.4%	0.0%
MSU	99,031,766	99,031,766	-	75.3%	0.0%
MUW	15,760,396	15,624,113	(136,283)	105.4%	-0.9%
MVSU	15,780,434	15,770,305	(10,129)	80.2%	-0.1%
UM	80,047,736	81,928,876	1,881,140	70.8%	2.4%
USM	89,870,168	89,753,923	(116,245)	81.8%	-0.1%
System	\$ 344,596,215	\$ 385,873,404	\$ 1,367,159	73.7%	0.4%

QUESTIONS?



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OF HIGHER LEARNING



Example of 1/2 Year Rolling

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1/2 Year One	1/2 Year One 1/2 Year Two	1/2 Year Two 1/2 Year Three	1/2 Year Three 1/2 Year Four	1/2 Year Four 1/2 Year Five	1/2 Year Five





Percent of Formula After Recommendation

Institution	Percent of Formula
ASU	87.9%
DSU	100.4%
JSU	76.4%
MSU	75.3%
MUW	104.4%
MVSU	80.2%
UM	71.3%
USM	81.7%
System	78.7%



	FY 2008 Actual	FY 2009 Proposed
State Appropriations	\$ 417,169,141	\$ 421,219,857
Less Legal and Board Initiatives:		
<i>Ayers</i>	\$ 25,700,000	\$ 25,700,000
Course Redesign	1,000,000	1,000,000
System Audit	-	1,000,000
Nursing Faculty @ ASU, DSU, MUW & USM	-	316,383
Fringe Benefits Increase (Health)	-	567,174
Best Practices	60,000	60,000
Sub-Total	\$ 26,760,000	\$ 28,643,557
Less Legislative Designated Line Items:		
Institution	FY 2008	FY 2009
ASU	\$ 12,592	\$ 12,592
DSU	800,000	800,000
JSU	1,350,000	1,250,000
MSU	1,664,387	1,664,387
MUW	166,889	166,889
MSVU	-	-
UM	1,059,028	2,059,028
USM	850,000	750,000
Sub-Total	\$ 5,902,896	\$ 6,702,896
Allocable Amount through Formula	\$ 384,506,245	\$ 385,873,404
Net Change from FY 2008		\$ 1,367,159



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