Final Report of the Florida Board of Governor's Funding Formula Workgroup

May, 2004

The Florida Board of Governors created a workgroup to develop a new funding formula for the state universities. The charge of this workgroup, as provided by Carolyn Roberts, Chair of the Board of Governors, is to develop a university funding formula that provides for the different missions and programs of the universities and, at the same time, achieves adequate and stable funding for the universities.

The characteristics of a funding formula as proposed should be as follows:

1. Mission driven.
2. Fair and equitable.
3. Simple to understand; not overly complicated.
4. Uses easily obtained data or data that has already been submitted to DOE.
5. Flexible and easy to adjust during economic change.

Each university was asked to submit recommendations for a funding formula, based upon work already done at the institutional level, by October 16, 2003. These proposals were discussed and a matrix developed. The matrix included various components of a funding model and each component was weighted using a scale of 1-5.

At its first meeting on October 20, 2003, the funding formula committee appointed a technical advisory group to develop a formula using the components of the matrix. The remainder of this paper represents the recommendations of the technical advisory group and the recommendations from the Funding Formula Committee.

The Technical Advisory Group studied several different approaches to a variety of different models. A completely expenditure driven model, a zero-based model and the proposed model which is enrollment driven and generates faculty and staff positions were all considered.

Model Basis:

A) The model recommended is a staff driven model based on incremental enrollment growth. The group also considered at some length an "expenditure model," not unlike the current SUS approach to funding enrollment growth. However the "staffing" approach was preferred by a large majority. This was recommended for the following reasons:

- Focuses on meeting needs of students by generating resources to meet student demand
- Easy to adjust during periods of economic change by adjusting individual components of the model
- Avoids funding future needs based on inadequate prior funding
- Provides justifiable rationale for annual salary rate increases
- Provides for actual education funding needs for incremental enrollment growth
- Alleviates the need to identify "specials" included in each university's base budget.
- Provides an equitable level of resources to similar institutions to provide a similar activity, or service, based on the number of additional students to be served.

B) The expenditure analysis was used to determine or validate many of the cost factors recommended in the model.

C) The enrollment growth portion of the model uses incremental enrollment growth. The technical advisory group recommends that the base budget should not be redistributed.

D) The salary averages to be used for funding new positions in the model are based on the January 2004 University Employee File. The file includes only filled positions. Since the model generates 1 administrative position for every 13 instructional positions, 7.69% of the rate is based on the university's average for ranked faculty identified in the administrative group. The remaining 92.31% is based on the university's weighted average for ranked faculty not included in the administrative group. It was agreed by the technical advisory group that criteria used in the Equity Accountability Plan would be used to identify the administrative group. The technical advisory group recommends weighting each university's ranked faculty based on the percentages discussed immediately above.

E) Funds are included in the model for expense and operating capital outlay using the Governor's guidelines for new enrollment growth. The proposed amount is $9,915 expense and $1,500 OCO for each faculty position and $8,019 expense and $2,000 OCO for each support position generated.

F) The Technical Advisory Group recommends that the Legislature pay 75% of the cost of the enrollment growth portion of the model. The enrollment growth portion of the model has been adjusted to reflect only 75% of the costs being requested from state funds.

Component 1: Instructional Positions

The model recommended by the technical advisory group uses 3 instructional emphasis groupings. Group A factors generate more funding for undergraduate instruction and fewer dollars for research; group B factors generate a moderate amount of funding for instruction and research; and group C factors generate the least amount for instruction and the most for research. The instructional emphasis groups generate one instructional faculty position per the following incremental student FTE requested:

	Group C	Group B	Group A
Lower Level	28.63	27.31	25.98
Upper Level	22.03	22.03	18.30
Grad I	13.56	13.56	13.56
Grad II	8.31	8.31	8.31
Grad III	12.32	12.32	12.32

The undergraduate instructional emphasis groups are based on the actual average productivity for groups of institutions. Group C factors are based on the average actual productivity for UF, FSU and USF, while Group A factors are based on the actual productivity for UNF, UWF and FAMU. Group B factors were set between Group c and Group A for the lower level, and the same productivity factor as that used for the upper level for Group C was also used for Group B. The Graduate factors are the same for each group, based on the SUS average actual productivity.

Component 2: Research

The technical advisory group recommends breaking the research function into two components. The first is titled "scholarly research" and includes the research required to ensure that all faculty stay current in their field. The second is titled "mission research."

Both are tied to student enrollment through the incremental faculty generated in Component I.

Scholarly research equals one research position generated for every 12 instructional faculty, at all levels of instruction. The 1:12 ratio used in the funding model is the same as that used by the Legislature during much of the 1980's and early 1990's to generate research for undergraduate FTE. The Legislature used more generous factors, i.e., 1:4 for Grad I and 1:2 for Grad II. The current enrollment funding model generates 1:10, but does not provide resources for mission research.

One mission research position for the Group A and B institutions is generated for every 10 Grad I instructional positions and one research position generated for every 5 Grad II instructional positions. For the Group C institutions, one mission research position is generated for every 5 Grad I instructional positions and one research position generated for every 2 Grad II instructional positions. These factors are consistent with the ones used in the 1969-70 biennium budget request for research enhancement. Additional research positions are needed in order to provide the instruction and research oversight required for graduate students.

Component 3: Public Service

The current enrollment funding model does not provide resources for public service, yet there is recognition that each institution should provide public service as a part of their mission. This is one element of the state universities that separates them from community colleges. Universities are expected to apply their knowledge and new research discoveries to the solution of problems faced by the state. Further, universities are frequently asked to assist K-12 schools in a wide array of educational issues. The technical advisory committee recommends one public service position be generated for every 50 instructional faculty generated. A 1:48 ratio was used in the model used by the Legislature during much of the 1980's and early 1990's. This ratio was further validated based on the SUS average public service ratio of 1 to 44.74 for E&G.

Component 4: Academic Administration

Each institution must provide a certain amount of academic administration. This activity includes support for the Deans, Chairs, Provost and other academic support positions. The technical advisory group recommends a factor less generous than the current ratio in the expenditure analysis because some of these costs, such as the Provost's Office, do not need to be regenerated with incremental student enrollment.

The technical advisory group recommends generating administrative positions based on one position for every 13.0 faculty positions generated. This factor is consistent with the funding model used by the Legislature during much of the 1980's and early 1990's. For comparison purposes, using Report VII from the 2001-2002 Expenditure Analysis, the number of administrative positions was divided into the number of faculty, graduate assistants and faculty adjuncts generating a ratio of 1 to 6.87.

Component 5: Instructional Support

Each institution must also provide support for the academic departments to meet the needs of faculty. These positions include instructional laboratory technicians along with clerical and other support positions necessary to meet these needs. The technical advisory group recommends generating one instructional support position for every 3 academic positions generated. This factor is similar to the factor 2.8043:1 used in the 1988 funding model and

the factor 2.85 used by the Legislature during much of the 1980's and early 1990's. For comparison purposes, using Report VII from the 2001-2002 Expenditure Analysis, the number of support positions was divided into the number of faculty, graduate assistants and faculty adjuncts generating a ratio of 1 to 2.23.

Component 6: Library Staffing

The technical advisory group recommends using the methodology used in the 1988 funding model that generates library staffing positions based on the following table:

Instructional Level	One library staffing position per every
Lower	300 student FTE
Upper	150 student FTE
Grad I	75 student FTE
Grad II	50 student FTE

Component 7: University Support

Each institution must provide support for the administrative functions of the university. These functions include accounting, purchasing, personnel, payroll, printing, police, mail, and other university administrative support. The technical advisory group recommends generating resources for university support based on the SUS average expenditures per student FTE. Using Report I from the 2001-2002 Expenditure Analysis, the university support expenditures were divided by the number of student FTE. This generated $1,397 per student FTE.

Component 8: Student Financial Aid

The technical advisory group recommends generating resources for financial aid based on the student financial aid expenditures reported in the 2001-2002 Expenditure Analysis divided by the student FTE. This generates $267.74 per student FTE.

Component 9: Student Services

Each institution must provide support for the student service functions of the university. These activities include services related to the physical, psychological, and social well being of the students. The administrative activities such as admissions, registration, orientation, financial aid, housing, student counseling, tracking, retention efforts, career guidance and the like must be provided. The technical advisory group recommends generating resources for student services based on the SUS average expenditures per weighted student FTE. Using Report I from the 2001-2002 Expenditure Analysis, the expenditures reported for Student Services were divided by the weighted student FTE. This resulted in a SUS average amount of $484. The weight was determined by adding the student FTE and headcount together and dividing the sum by 2. The weight was included to account for the individualized and often highly customized face-to-face nature of most student services.

Component 10: Academic Advising

The technical advisory group recommends generating one instructional support position for every 300 headcount students. The ratio of 300 students per advisor was adapted from a study by the National Academic Advising Association as reported in their publication entitled "Academic Advising: A Comprehensive Handbook," which reported on advising loads at 380 universities.

Component 11: Tuition Waivers

The technical advisory group recommends generating resources for tuition waivers based on the UF and FSU average expenditures of $2,600 per graduate student. Using the SUS average of $2,140 did not appear appropriate due to the fact that most of the graduate degree production is generated by these two institutions. The technical advisory group felt that waivers are a vital component of graduate education and recommends that the resources be generated based on graduate student FTE, even though a small portion of these dollars are used to support out-of-state undergraduates.

Component 12: Remedial Education

Another consideration was to find a mechanism for generating resources related to certain more costly aspects of FAMU's mission. FAMU is the only state university authorized to teach remedial courses. Therefore, the technical advisory group recommends providing $3,000 for 11.06% of FAMU's lower level incremental enrollment. The 11.06% is based on the 2002-03 actual remedial credit hours as a percent of the total lower level student credit hours.

Component 13: Library Resources

The technical advisory group recommends using the student FTE weights recommended by the 1988 funding formula group. The weights are as follows:

Undergraduate .....2.5 per undergraduate FTE
Graduate .....5.0 per graduate FTE
Grad III..... 7.0 per graduate III FTE

This SUS average of $95 per weighted FTE is recommended. This amount was calculated using the library resources expenditures reported on Report I of the 2001-02 Expenditure Analysis divided by the number of student FTEs, which yielded an average of $95 per weighted FTE.

Component 14: Offsetting Inflation

The technical advisory group recommends including a factor to increase the base level funding due to normal price-level increases associated with the day-to-day operations of the university. This factor is particularly important if universities wish to concentrate on quality or simply do not want to expand their enrollment. At the current time, the most consistent way to get new resources is to grow enrollment. Therefore, the technical advisory group recommends providing an inflationary increase to each university's non-salary budget based on the increase in the consumer's price index. The model uses a 2.52% increase, which represents the CPI change from 2003-04 to 2004-05.

Note: This recommendation is based on the assumption that funds associated with salary increases, health and retirement increases remain in administered funds. In the event that these increases are not in administered funds, the technical advisory group recommends applying the inflationary increases to the total budget.

Component 15: Technology Support/Resources

The technical advisory group recommends adopting the formula developed by a special task force of the Institutional Resource Directors. This group recommended providing one computer station for every 50 student FTE and one computer for every faculty or staff

position. The cost recommended was $4,000 for hardware and an additional $300 for network and computer support per workstation. The yearly costs are recommended to be phased-in over a four-year life cycle, so that funds remain in the base for continuous replacement. This factor can be revisited if a technology fee is approved.

Component 16: Branch Campuses and Small Universities

The technical advisory group recommends determining the percent of students who are enrolled at the branch campus and provide an additional $500 per student FTE for new enrollment for each university's percentage of branch campus enrollment. The technical advisory group also recommends that additional funds be provided for universities with total student FTE enrollment of less than 5,000. An additional $500 per student FTE for new enrollment is recommended for universities with enrollments of 1,000 to 5,000. For universities with student FTE enrollment of less than 1,000 an additional $8,738 is recommended. The additional funds are included to offset additional costs in the decentralized organization. In the development of Florida Gulf Coast University, it was accepted and agreed upon that it would take a minimum number of FTE to adequately fund the institution. The logic herein was based on economies of scale and the need for basic services regardless of class size. Smaller institutions need additional funding per FTE until such time that the economies of scale that affect them have been overcome.

Component 17: Legislatively Mandated, Fiscally Autonomous and Separately Accredited Regional Campuses (St. Petersburg and Sarasota/ Manatee)

Due to time constraints, the technical advisory group did not reach conclusion on this issue. However, the Funding Formula Committee recommends that an additional $1,000 for every FTE student at legislatively mandated, fiscally autonomous and separately accredited regional campuses. The rationale for this is based on the diseconomies of scale associated with the necessity to duplicate comprehensive infrastructure essential to meeting accreditation standards.

Component 18: Institute for Food and Agricultural Sciences (IFAS)

The technical advisory group recommends adopting the research and extension workload formula developed by IFAS a few years ago. This formula provides resources based on a 3 year rolling average workload increase. IFAS keeps a written log of the different types of services (or workload units) provided. This includes the number of field, telephone or office consultations provided, the number of group learning sessions provided and the number of educational materials developed over the course of the year. The last 3-year rolling average was an increase of 1.5%. The amount requested for the workload increase is based on IFAS's actual expenditures divided by the number of workload units as described above. For 1999-2000, the amount per unit is $1,045.

Component 19: Health Science Centers Medical School Enrollment Growth

Due to time constraints, the technical advisory group did not reach a conclusion on this issue. However, the Funding Formula Committee recommends that $29,900 be provided for each new medical student and for each new resident and $20,000 for each new dentistry and veterinary medicine student. The $29,900 represents the amount provided in the 2003-04 General Appropriations Act for University of Miami medical students. The $20,000 represents the amount currently included in the expenditure analysis less incidental revenue. The FSU Medical School will continue to request the start-up funding recommended in the MGT study until the total phased-in plan is complete. No new

enrollment funding will be requested by FSU for the Medical School until the enrollment identified in the plan is met.

Summary:

The Technical Advisory Group has addressed the characteristics as outlined by Chairman Roberts in the following manner:

1. Mission driven - Mission is recognized throughout the model, especially in the instructional and research components of the model. It is also reflected in the branch campus/small university factor, the remedial factor, and in the library resource components of the model.

2. Fair and equitable – The model provides comparable resources for institutions with similar missions and, at the same time, specifically addresses the unique needs of certain institutions.

3. Simple to understand; not overly complicated – The model has a relatively small number of simple building blocks. In general, the incremental enrollment request will be the major change in the model from year to year. Also, some of the factors will need to be updated to account for the effect of inflation and other issues. To further simplify operations of the model, key decision making points are highlighted within the model.

4. Uses easily obtained data or data that has already been submitted to DOE –The model relies heavily on the expenditure analysis and other existing and easily obtainable data.

5. Flexible and easy to adjust during economic change – The model has been built to offer the maximum flexibility. The factors can be altered based on a certain percentage of the formula that may be desired or each component can be individually altered.