

Arkansas Department of Higher Education

Operating Recommendations for State-Supported Institutions of Higher Education

Fiscal Year 2016-17



Institutional Finance

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Arkansas Department of Higher Education
423 Main Street, Suite 400 Little Rock, AR 72201

**RECOMMENDATIONS FOR EDUCATIONAL AND GENERAL OPERATIONS
STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION
FISCAL YEAR 2016-17**

Background

A.C.A. §6-61-224 establishes the process and key components for formula development for funding public institutions of higher education. That language reads as follows:

“(a) The Arkansas Department of Higher Education, in collaboration with the state college and university presidents and chancellors, shall develop funding formulas consisting of a needs-based component and an outcome-centered component which will, in principle, seek to provide fair and equitable state support to all postsecondary students across the state, regardless of the state institution attended, while at the same time recognizing: (1) The different needs for lower level, upper level, and graduate level instruction at the various institutions; (2) The requirements for specialized equipment, labs and smaller class sizes in some disciplines; and (3) Unique missions, such as agricultural extension services, research, medical sciences, workforce development, and public service; and (4) Growth, economies of scale, and other appropriate factors.

At its April 27, 2014 meeting, the Arkansas Higher Education Coordinating Board approved the funding models for the two-year colleges, universities, and the technical centers (former technical institutes merged with universities). These models had been developed in conjunction with presidents and chancellors after meetings and revisions. The funding models were used to develop the comparative needs of Arkansas institutions of higher education in terms of the average funding levels of schools in the SREB region.

ADHE staff also reviewed new justification requests submitted by the non-formula group and prepared funding recommendations for Fiscal Year 2016-17 based upon those requests.

The difference between the funding model determined needs of the entities compared to the Fiscal Year 2016 appropriations was \$346,435,271. The funding gap (the difference between the formula determined need and the current fiscal year appropriation) is part of a phenomenon that occurs when there is an extended economic downturn which is invariably accompanied by enrollment increases, declining state support and tuition increases (to replace a part of the lost state support). It should be emphasized that the funding needs of the institutions are the funds needed to bring Arkansas higher education to the **average** funding level of the SREB region. The funding gap took a number of years to reach its current level and may never be completely erased.

Operating Funding Recommendations for the 2016-17 Fiscal Year

The operating needs are based upon the tuition policies established by the Arkansas Higher Education Coordinating Board and the funding formulas approved by the AHECB in April 2014.

Each funding formula was developed to provide an equitable basis for the distribution of **any funding available**.

The funding models have been updated with academic year 2015 student semester credit hours (SSCH). The input data for the funding models were the SSCH by level and discipline as reported in the Student Information System for academic year 2015 and the educational and general square footage as reported in the Facilities Audit Program (FAP) 2014. The updated formula driven models represent a total need for funding of higher education institutions of \$966,531,263. The total funding recommendation for the non-formulas entities is \$239,190,089 in 2016-17.

Since it is not anticipated that the models will be fully funded in the near future, funding recommendations for 2016-17 are: For the **four-year institutions**, a 2.1% increase for all institutions based on the Higher Education Price Index (HEPI) which totals \$7,623,006 and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$117,346,720 for a total four-year recommendation of \$124,969,726 in new revenue.

For the **two-year institutions**, a 2.1% increase for all institutions based on the Higher Education Price Index (HEPI) which totals \$2,682,367 and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$6,582,313 for a total two-year recommendation of \$9,264,680 in new revenue.

For the **technical centers**, a 2.1% increase for all technical centers based on the Higher Education Price Index (HEPI) which totals \$110,729 and further recommending that those technical centers below 75% of the model be brought to that level which is an additional \$2,852,711 for a total two-year recommendation of \$2,963,440 million in new revenue.

For the **non-formula entities** the recommendation is for a 2.1% increase based on the HEPI index which is \$3,974,407 and a recommendation of full funding which would require an additional \$32,852,646, of which \$10,004,108 would be for the University of Arkansas for Medical Sciences (UAMS).

The allocation of funds generated by the increases in RSA funding between colleges, universities and technical institutes is based upon each group's share of the need for new funds.

The individual institutional recommendations for all four types of institutions (Colleges, Universities, Non-Formula Entities, and Technical Institutes) were determined in the following manner: The general revenue funds were distributed based upon the need for new funds as determined by the three funding formulas and the ADHE staff determined

need of the non-formula entities. The non-formula needs were based up the justifications submitted by the institutions. **The total recommendation for 2016-17 for Colleges, Universities, Non-Formula Entities and Technical Centers is \$170,050,492 in new revenue.**

It should be noted that it is unlikely that these recommendations will keep pace with the combination of inflation and enrollment increases for most institutions. However, given the economic uncertainty, there is an even greater uncertainty than usual that even these modest recommendations will be funded.

The principles for determining operating needs address continued levels of base funding for institutions, equity, small college adjustment, and economies of scale. Specific aspects of the operating recommendations for all institutions follow:

- All of the general revenue increases recommended were distributed on the basis of the funding formula or staff determined need for new funding.

Table A. Summary of Operating Needs & Recommendations for the 2016-17 Fiscal Year



Institution Type	Fiscal Year 2015-16 Base						FY2016-17 AHECB Recommendations			
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base	EETF	WF2000	Total Fiscal Year Base	Total Need	Total Recommendation	New Funds	% Inc
	Universities	363,000,266	40,333,363	403,333,629	37,459,999		440,793,628	743,495,239	565,763,354	124,969,726
Colleges	127,731,761	14,192,418	141,924,179	7,358,315	22,589,450	171,871,944	210,652,495	181,136,624	9,264,680	5.4%
Subtotal	490,732,027	54,525,781	545,257,808	44,818,314	22,589,450	612,665,572	954,147,734	746,899,978	134,234,406	21.9%
Technical Centers			5,272,810		2,157,610	7,430,420	12,383,529	10,393,860	2,963,440	39.9%
Total			550,530,618	44,818,314	24,747,060	620,095,992	966,531,263	757,293,838	137,197,846	22.1%

Non-Formula Entity Type	Fiscal Year 2015-16 Base			FY2016-17 AHECB Recommendation		
	Total Current RSA Base	EETF	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc
	Non-Formula Entities	87,827,357	13,633,193	101,460,550	124,309,088	22,848,538
Health Care-Related UAMS	95,204,430	9,672,463	104,876,893	114,881,001	10,004,108	9.5%
Total	183,031,787	23,305,656	206,337,443	239,190,089	32,852,646	15.9%

All Institution Types	Fiscal Year 2015-16 Base						FY2016-17 AHECB Recommendation		
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base	EETF	WF2000	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc
Total	490,732,027	54,525,781	733,562,405	68,123,970	24,747,060	826,433,435	996,483,927	170,050,492	20.6%

Table B. 2014-15 Four-Year Universities Recommendations



Inst	FY2015-16					FY2016-17						
	90% Needs-based RSA Base	10% Outcomes-based RSA Base	Total RSA	EETF	Total Base (RSA & EETF)	Total Need	% of Need	2.1% Continuing Level on RSA (90% Needs-Based)	Adjustment to Reach 75% of Need	New Funds	Total Recommendation	% of Need
ASUJ	50,740,480	5,637,831	56,378,311	6,078,916	62,457,227	110,326,416	56.6%	1,065,550	19,222,035	20,287,585	82,744,812	75.0%
ATU	26,839,746	2,982,194	29,821,940	2,086,501	31,908,441	58,365,626	54.7%	563,635	11,302,143	11,865,778	43,774,219	75.0%
HSU	16,916,592	1,879,621	18,796,213	2,158,387	20,954,600	23,940,223	87.5%	355,248	-	355,248	21,309,848	89.0%
SAUM	14,026,479	1,558,498	15,584,976	1,276,086	16,861,062	27,034,359	62.4%	294,556	3,120,151	3,414,707	20,275,770	75.0%
UAF	105,782,841	11,753,649	117,536,490	9,452,865	126,989,355	255,058,402	49.8%	2,221,440	62,083,007	64,304,447	191,293,802	75.0%
UAFS	18,535,154	2,059,462	20,594,615	3,162,644	23,757,259	35,501,051	66.9%	389,238	2,479,290	2,868,528	26,625,788	75.0%
UALR	51,000,535	5,666,726	56,667,261	5,481,239	62,148,500	90,056,731	69.0%	1,071,011	4,323,037	5,394,048	67,542,548	75.0%
UAM	11,761,041	1,306,782	13,067,823	1,101,302	14,169,125	19,048,429	74.4%	246,982	-	246,982	14,416,107	75.7%
UAPB	19,594,164	2,177,129	21,771,294	1,911,837	23,683,131	25,916,199	91.4%	411,477	-	411,477	24,094,608	93.0%
UCA	47,803,235	5,311,471	53,114,705	4,750,222	57,864,927	98,247,802	58.9%	1,003,868	14,817,056	15,820,924	73,685,851	75.0%
Total	363,000,266	40,333,363	403,333,629	37,459,999	440,793,628	743,495,239	59.3%	7,623,006	117,346,720	124,969,726	565,763,354	76.1%

Table C. 2016-17 Two Year Colleges Recommendations



Inst	FY2015-16						FY2016-17							
	90% Needs-based RSA Base	10% Outcomes-based RSA Base	Total RSA Base	EETF	WF2000	Total Base (RSA, EETF & WF2000)	Total Need	% of Need Met	2.1% Continuing Level on RSA (90% Needs-Based)	Adjustment to Reach 75% of Need	New Funds	Total Recommendation	% of Need	
ANC	7,719,347	857,705	8,577,052	744,458	730,954	10,052,464	10,052,464	100.0%	162,106	-	162,106	10,214,570	100.0%	
ASUB	10,652,154	1,183,573	11,835,727	1,485,055	801,945	14,122,727	14,259,286	99.0%	223,695	-	223,695	14,346,422	100.0%	
ASUMH	3,283,299	364,811	3,648,110	-	823,929	4,472,039	6,691,476	66.8%	68,949	477,618.72	546,568	5,018,607	75.0%	
ASUMS	3,472,206	385,801	3,858,007	-	2,190,914	6,048,921	7,474,162	80.9%	72,916	-	72,916	6,121,837	81.9%	
ASUN	5,393,064	599,229	5,992,293	-	1,417,628	7,409,921	11,369,390	65.2%	113,254	1,003,867	1,117,122	8,527,043	75.0%	
BRTC	5,502,164	611,352	6,113,516	-	2,245,209	8,358,725	9,707,333	86.1%	115,545	-	115,545	8,474,270	87.3%	
CCCUA	3,056,222	339,580	3,395,802	-	1,350,337	4,746,139	7,132,126	66.5%	64,181	538,775	602,956	5,349,095	75.0%	
CotO	3,174,535	352,726	3,527,261	-	1,156,386	4,683,647	5,966,991	78.5%	66,665	-	66,665	4,750,312	79.6%	
EACC	5,209,252	578,806	5,788,058	777,166	-	6,565,224	6,565,224	100.0%	109,394	-	109,394	6,674,618	100.0%	
NAC	7,170,268	796,696	7,966,964	458,985	575,177	9,001,126	9,082,509	99.1%	150,576	-	150,576	9,151,702	100.0%	
NPCC	8,141,840	904,649	9,046,489	1,162,362	668,021	10,876,872	11,198,386	97.1%	170,979	-	170,979	11,047,851	98.7%	
NWACC	9,557,282	1,061,920	10,619,202	1,027,228	-	11,646,430	20,574,386	56.6%	200,703	3,583,657	3,784,360	15,430,790	75.0%	
OZC	2,813,828	312,648	3,126,475	-	1,271,841	4,398,316	6,537,403	67.3%	59,090	445,646	504,736	4,903,052	75.0%	
PCCUA	8,156,779	906,309	9,063,088	756,855	529,856	10,349,799	10,349,799	100.0%	171,292	-	171,292	10,521,091	100.0%	
PTC	13,623,693	1,513,744	15,137,437	-	2,273,772	17,411,209	23,524,897	74.0%	286,098	-	286,098	17,697,307	75.2%	
RMCC	2,886,182	320,687	3,206,869	205,144	-	3,412,013	4,201,880	81.2%	60,610	-	60,610	3,472,623	82.6%	
SACC	5,430,876	603,431	6,034,307	531,526	461,389	7,027,222	8,187,439	85.8%	114,048	-	114,048	7,141,270	87.2%	
SAUT	5,134,960	570,551	5,705,511	209,536	-	5,915,047	8,659,270	68.3%	107,834	471,571	579,406	6,494,453	75.0%	
SEAC	5,073,118	563,680	5,636,798	-	1,975,199	7,611,997	7,611,997	100.0%	106,535	-	106,535	7,718,532	100.0%	
UACCB	3,717,955	413,106	4,131,061	-	866,760	4,997,821	6,227,461	80.3%	78,077	-	78,077	5,075,898	81.5%	
UACCH	4,042,797	449,200	4,491,997	-	1,958,947	6,450,944	6,652,698	97.0%	84,899	-	84,899	6,535,843	98.2%	
UACCM	4,519,940	502,216	5,022,155	-	1,291,186	6,313,341	8,625,918	73.2%	94,919	61,179	156,098	6,469,439	75.0%	
Total	127,731,761	14,192,418	141,924,179	7,358,315	22,589,450	171,871,944	210,652,495	81.6%	2,682,367	6,582,313	9,264,680	181,136,624	86.0%	

Table D. 2016-17 Technical Centers Recommendations



Institution	FY2015-16			FY2016-17						
	RSA	Workforce 2000	Total Base	100% Model Calculated Need	% of Need Met	2.1% Continuing Level on RSA	Adjustment to 75% of Need	New Funds	Total Recommendation	% of Need
ATU-Ozark	2,394,591	794,490	3,189,081	8,122,771	39.3%	50,286	2,852,711	2,902,997	6,092,078	75.0%
UAM-Crossett	1,154,300	657,024	1,811,324	1,830,743	98.9%	24,240	-	24,240	1,835,564	100.0%
UAM-McGehee	1,723,919	706,096	2,430,015	2,430,015	100.0%	36,202	-	36,202	2,466,217	100.0%
Total	5,272,810	2,157,610	7,430,420	12,383,529	60.0%	110,729	2,852,711	2,963,440	10,393,860	83.9%

Table E. 2016-17 Non-Formula Entities Recommendations



Institution/Entity	FY2015-16				FY 2016-17			
	RSA	EETF	Total Base	FY 2015-16 AHECB Recommendation	2.1% Continuing Level of RSA	New Program Enhancements	Total New Funds over 2015-16 Recs	Total Recommendation
ADTEC/ADWIRED	1,500,000	-	1,500,000	2,045,000	32,445	-	32,445	2,077,445
AREON	-	-	-	1,365,000	-	1,432,500	1,432,500	2,797,500
ASU-System Office	2,362,680	145,605	2,508,285	2,764,360	51,105	14,224	65,329	2,829,689
ASU-Heritage	350,000	-	350,000	2,360,500	7,571	60,000	67,571	2,428,071
HSU-CEC	79,798	-	79,798	1,216,903	1,726	-	1,726	1,218,629
NWACC-CPTC	-	-	-	118,282	-	-	-	118,282
SACC-Arboretum	-	-	-	75,000	-	-	-	75,000
SAUT-ETA	368,404	35,015	403,419	614,224	7,969	-	7,969	622,193
SAUT-FTA	1,651,221	88,622	1,739,843	2,346,119	35,716	-	35,716	2,381,835
UA-SYS	3,417,950	271,845	3,689,795	4,033,351	73,930	6,912	80,842	4,114,193
UA-AS	2,327,380	134,378	2,461,758	2,706,471	50,341	5,276	55,617	2,762,088
UA-DivAgri	62,800,138	5,586,768	68,386,906	71,888,097	1,358,367	443,400	1,801,767	73,688,864
UA-ASMSA	1,113,015	7,370,960	8,483,975	8,965,364	24,075	-	24,075	8,989,439
UA-CS	2,295,575	-	2,295,575	2,454,442	49,653	2,700	52,353	2,506,795
UA-CJI	1,825,769	-	1,825,769	2,740,542	39,491	25,800	65,291	2,805,833
UAF-ARTP	-	-	-	250,000	-	-	-	250,000
UAF-Autism	-	-	-	2,500,000	-	-	-	2,500,000
UAF-GWG	-	-	-	500,000	-	-	-	500,000
UAF-Pryor Center	-	-	-	250,000	-	-	-	250,000
UAF-WTC AR	-	-	-	250,000	-	2,588	2,588	252,588
UALR-RAPS	4,087,836	-	4,087,836	6,399,471	88,420	65,670	154,090	6,553,561
UAPB-Nonformula*	3,647,591	-	3,647,591	4,491,757	94,327	-	94,327	4,586,084
Total	87,827,357	13,633,193	101,460,550	120,334,883	1,915,135	2,059,070	3,974,205	124,309,088

*UAPB's Recommendation for RSA funding is for federal matching purposes.

Health-Related Non-Formula Entity - UAMS

Institution/Entity	FY2015-16				FY 2016-17			
	RSA	EETF	Total Base	FY 2015-16 AHECB Recommendation	2.1% Continuing Level of RSA	New Program Enhancements	Total New Funds over 2015-16 Recs	Total Recommendation
UAMS	86,456,661	9,437,619	95,894,280	102,186,919	1,870,058	1,391,420	3,261,478	105,448,397
UAMS-ABUSE/RAPE/DV	735,000	-	735,000	757,050	15,898	-	15,898	772,948
UAMS-Child Safety	720,588	-	720,588	742,206	15,586	-	15,586	757,792
UAMS-Ped/Pysch/Res.	1,950,000	-	1,950,000	2,008,500	42,179	-	42,179	2,050,679
UAMS-IC	5,342,181	234,844	5,577,025	5,735,634	115,551	-	115,551	5,851,185
Total	95,204,430	9,672,463	104,876,893	111,430,309	2,059,272	1,391,420	3,450,692	114,881,001