

Arkansas Higher Education Comprehensive Annual Report



University Operating
Recommendations
2015-17 Biennium

Arkansas Department of Higher Education

423 Main Street, Little Rock, Arkansas 72201

December 2014

**RECOMMENDATIONS FOR EDUCATIONAL AND GENERAL OPERATIONS
STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION
2015-2017 BIENNIUM**

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 25, 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.

The staff reviewed the justification requests submitted by the non-formula group and prepared preliminary funding recommendations based upon those requests. After making preliminary recommendations, the staff conducted budget meetings with all non-formula entities which had concerns with the recommendations. After the conclusion of all budget meetings, final recommendations were made in light of the appeals heard during the budget meetings.

The difference between the funding model determined needs of the entities compared to the Fiscal 2015 appropriations was \$317.2 million. 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 2015-17 Biennium

The operating needs are based upon the tuition policies established by the Arkansas Higher Education Coordinating Board's approval of Agenda Item 14 on April 27, 2012 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 calendar year 2013 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 calendar year 2013 and the new 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 \$936,437,272 and non-formula entities of \$231,765,192 in 2015-16.

Since it is not anticipated that the models will be fully funded in the near future, funding recommendations for 2015-16 are: For the **four-year institutions**, a 3.0% increase for all institutions based on the Higher Education Price Index (HEPI) which totals \$10.9 million and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$78.4 million for a total four-year recommendation of \$89.3 million in new funds.

For the **two-year institutions**, a 3.0% increase for all institutions based on the Higher Education Price Index (HEPI) which totals \$3.8 million and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$14.95 million for a total two-year recommendation of \$18.8 million in new funds.

For the **technical centers** the recommendation is for a 3.0% increase based on the HEPI index which is \$158,184 and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$3.0 million for a total technical center recommendation of \$3.2 million in new funds.

For the **non-formula entities** the recommendation is for a 3.0% increase based on the HEPI index and a recommendation of full funding which combined would require an additional \$32.6 million, of which \$13.7 million 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, non-formula entities 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, Technical Centers, and Non-Formula Entities) 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 2015-16 for Colleges, Universities, Non-Formula Entities and Technical Centers is \$143.8 million 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 and declining state revenues, 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 bases of the funding formula or staff determined need for new funding.

Table A. Summary of Operating Needs & Recommendations for the 2015-2017 Biennium



Institution Type	Fiscal Year 2014-15 Base						FY2015-16			FY2016-17			
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base (4/14/14)	EETF (7/11/14)	WF2000 (7/21/14)	Total Fiscal Year Base	100% Model Calculated Need	AHECB Recommendations			AHECB Recommendations		
								Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
Colleges	127,731,761	14,192,418	141,924,179	7,275,820	22,366,889	171,566,888	230,456,355	190,353,576	18,786,688	11.0%	196,064,183	5,710,607	3.0%
Universities	362,882,558	40,320,284	403,202,842	37,040,033	0	440,242,876	692,901,461	529,495,850	89,252,974	20.3%	545,380,725	15,884,875	3.0%
Subtotal	490,614,319	54,512,702	545,127,021	44,315,853	22,366,889	611,809,763	923,357,816	719,849,426	108,039,662	17.7%	741,444,908	21,595,483	3.0%
Technical Centers			5,272,810	0	2,136,352	7,409,162	13,389,916	10,594,523	3,185,361	43.0%	10,912,358	317,836	3.0%
Grand Total			550,399,831	44,315,853	24,503,241	619,218,925	936,747,732	730,443,948	111,225,023	18.0%	752,357,267	21,913,318	3.0%

Non-Formula Entity Type	Fiscal Year 2014-15 Base			FY2015-16			FY2016-17			
	Total Current RSA Base (4/14/14)	EETF (7/11/14)	Total Fiscal Year Base	100% ADHE Recommendations	AHECB Recommendations		AHECB Recommendations			
					Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
Non-Formula Entities	87,958,144	13,480,350	101,438,494	120,334,883	120,334,883	18,896,389	18.6%	\$125,133,904	\$4,799,021	25.4%
Health Care-Related UAMS	88,204,430	9,564,025	97,768,455	111,430,309	111,430,309	13,661,854	14.0%	\$115,547,246	\$4,116,937	30.1%
Grand Total	176,162,574	23,044,375	199,206,949	231,765,192	231,765,192	32,558,243	16.3%	\$240,681,150	\$8,915,958	27.4%

All Institution Types	Fiscal Year 2014-15 Base						FY2015-16 AHECB Recommendation			FY2016-17 AHECB Recommendation		
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base (4/14/14)	EETF (7/11/14)	WF2000 (7/21/2014)	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
Total	490,614,319	54,512,702	726,562,405	67,360,228	24,503,241	818,425,874	962,209,140	143,783,266	17.6%	993,038,417	30,829,277	3.2%

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NOTE: FY2014-15 Base - DFA Forecast as of 4/14/2014

Table B. 2015-17 Four-Year Universities Recommendations



Inst	2014-15					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	3.0% Continuing Level on RSA (90% Needs-Based)	Adjustment to Reach 75% of Need	New Funds	Total Recommendation	% of Need	3.0% Continuing Level	Total Recommendation
ASUJ	50,740,480	5,637,831	56,378,311	6,010,765	62,389,076	104,350,407	59.8%	1,522,214	14,351,515	15,873,729	78,262,805	75.0%	2,347,884	80,610,689
ATU	26,839,746	2,982,194	29,821,940	2,063,110	31,885,050	53,552,923	59.5%	805,192	7,474,450	8,279,642	40,164,692	75.0%	1,204,941	41,369,633
HSU	16,798,883	1,866,543	18,665,426	2,134,190	20,799,616	24,533,394	84.8%	503,967		503,967	21,303,582	86.8%	639,107	21,942,689
SAUM	14,026,479	1,558,498	15,584,976	1,261,779	16,846,756	23,106,114	72.9%	420,794	62,036	482,830	17,329,586	75.0%	519,888	17,849,473
UAF	105,782,841	11,753,649	117,536,490	9,346,888	126,883,378	231,597,916	54.8%	3,173,485	43,641,574	46,815,059	173,698,437	75.0%	5,210,953	178,909,390
UAFS	18,535,154	2,059,462	20,594,615	3,127,187	23,721,803	35,333,358	67.1%	556,055	2,222,161	2,778,216	26,500,018	75.0%	795,001	27,295,019
UALR	51,000,535	5,666,726	56,667,261	5,419,788	62,087,049	89,854,968	69.1%	1,530,016	3,774,161	5,304,177	67,391,226	75.0%	2,021,737	69,412,963
UAM	11,761,041	1,306,782	13,067,823	1,088,956	14,156,779	17,717,248	79.9%	352,831		352,831	14,509,610	81.9%	435,288	14,944,899
UAPB	19,594,164	2,177,129	21,771,294	1,890,404	23,661,697	24,739,972	95.6%	587,825		587,825	24,249,522	98.0%	727,486	24,977,008
UCA	47,803,235	5,311,471	53,114,705	4,696,967	57,811,672	88,115,161	65.6%	1,434,097	6,840,602	8,274,699	66,086,371	75.0%	1,982,591	68,068,962
Total	362,882,558	40,320,284	403,202,842	37,040,033	440,242,876	692,901,461	63.5%	10,886,477	78,366,497	89,252,974	529,495,850	76.4%	15,884,875	545,380,725

Table C. 2015-17 Two-Year Colleges Recommendations



Inst	FY2014-15						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	3.0% Continuing Level on RSA (90% Needs-Based)	Adjustment to Reach 75% of Need	New Funds	Total Recommendation	% of Need Met	3.0% Continuing Level	Total Recommendation
ANC	7,719,347	857,705	8,577,052	736,111	723,753	10,036,916	10,047,212	99.9%	231,580		231,580	10,268,497	100.0%	308,055	10,576,552
ASUB	10,652,154	1,183,573	11,835,727	1,468,406	794,044	14,098,177	15,213,490	92.7%	319,565		319,565	14,417,742	94.8%	432,532	14,850,274
ASUMH	3,283,299	364,811	3,648,110	0	815,811	4,463,921	7,409,518	60.2%	98,499	994,719	1,093,218	5,557,139	75.0%	166,714	5,723,853
ASUN	5,393,064	599,229	5,992,293	0	1,403,661	7,395,954	10,620,472	69.6%	161,792	407,608	569,400	7,965,354	75.0%	238,961	8,204,315
BRTC	5,502,164	611,352	6,113,516	0	2,223,088	8,336,604	11,507,155	72.4%	165,065	128,697	293,762	8,630,366	75.0%	258,911	8,889,277
CCCUA	3,056,222	339,580	3,395,802	0	1,337,033	4,732,835	7,077,894	66.9%	91,687	483,899	575,586	5,308,421	75.0%	159,253	5,467,673
CotO	3,174,535	352,726	3,527,261	0	1,144,993	4,672,254	6,398,044	73.0%	95,236	31,043	126,279	4,798,533	75.0%	143,956	4,942,489
EACC	5,209,252	578,806	5,788,058	768,454	0	6,556,512	6,704,153	97.8%	156,278		156,278	6,712,789	100.0%	201,384	6,914,173
MSCC	3,472,206	385,801	3,858,007	0	2,169,328	6,027,335	8,068,853	74.7%	104,166		104,166	6,131,501	76.0%	183,945	6,315,446
NAC	7,170,268	796,696	7,966,964	453,840	569,510	8,990,314	10,630,436	84.6%	215,108		215,108	9,205,422	86.6%	276,163	9,481,584
NPCC	8,141,840	904,649	9,046,489	1,149,330	661,439	10,857,258	12,522,410	86.7%	244,255		244,255	11,101,514	88.7%	333,045	11,434,559
NWACC	9,557,282	1,061,920	10,619,202	1,015,712	0	11,634,914	22,332,054	52.1%	286,718	4,827,408	5,114,127	16,749,041	75.0%	502,471	17,251,512
OZC	2,813,828	312,648	3,126,475	0	1,259,310	4,385,785	7,241,864	60.6%	84,415	961,198	1,045,613	5,431,398	75.0%	162,942	5,594,340
PCCUA	8,156,779	906,309	9,063,088	748,370	524,636	10,336,094	10,344,459	99.9%	244,703		244,703	10,580,797	100.0%	317,424	10,898,221
PTC	13,623,693	1,513,744	15,137,437	0	2,251,370	17,388,807	30,593,918	56.8%	408,711	5,147,921	5,556,632	22,945,439	75.0%	688,363	23,633,802
RMCC	2,886,182	320,687	3,206,869	202,844	0	3,409,713	4,547,037	75.0%	86,585		86,585	3,496,298	76.9%	104,889	3,601,187
SACC	5,430,876	603,431	6,034,307	525,567	456,843	7,016,717	8,548,192	82.1%	162,926		162,926	7,179,643	84.0%	215,389	7,395,033
SAUT	5,134,960	570,551	5,705,511	207,186	0	5,912,697	9,547,617	61.9%	154,049	1,093,966	1,248,015	7,160,713	75.0%	214,821	7,375,534
SEAC	5,073,118	563,680	5,636,798	0	1,955,738	7,592,536	7,811,396	97.2%	152,194		152,194	7,744,730	99.1%	232,342	7,977,071
UACCB	3,717,955	413,106	4,131,061	0	858,220	4,989,281	6,381,304	78.2%	111,539		111,539	5,100,820	79.9%	153,025	5,253,844
UACCH	4,042,797	449,200	4,491,997	0	1,939,647	6,431,644	7,156,218	89.9%	121,284		121,284	6,552,928	91.6%	196,588	6,749,516
UACCM	4,519,940	502,216	5,022,155	0	1,278,465	6,300,620	9,752,659	64.6%	135,598	878,276	1,013,874	7,314,494	75.0%	219,435	7,533,929
Total	127,731,761	14,192,418	141,924,179	7,275,820	22,366,889	171,566,888	230,456,355	74.4%	3,831,953	14,954,736	18,786,688	190,353,576	82.6%	5,710,607	196,064,183

Table D. 2015-17 Technical Centers Recommendations



Institution	FY2014-15			FY2015-16							FY2016-17	
	RSA	Workforce 2000	Total Base	100% Model Calculated Need	% of Need Met	3.0% Continuing Level on RSA	Adjustment to 75% of Need	New Funds	Total Recommendation	% of Need	3.0% Continuing Level	Total Recommendation
ATU-Ozark	2,394,591	786,662	3,181,253	8,165,036	39.0%	71,838	2,870,686	2,942,524	6,123,777	75.0%	183,713	6,307,490
UAM-Crossett	1,154,300	650,551	1,804,851	2,661,293	67.8%	34,629	156,490	191,119	1,995,970	75.0%	59,879	2,055,849
UAM-McGehee	1,723,919	699,139	2,423,058	2,563,587	94.5%	51,718		51,718	2,474,776	96.5%	74,243	2,549,019
Total	5,272,810	2,136,352	7,409,162	13,389,916	55.3%	158,184	3,027,176	3,185,361	10,594,523	79.1%	317,836	10,912,358

Table E. 2015-17 Non-Formula Entities Recommendations



Institution/Entity	FY2014-15			FY2015-16					FY2016-17				
	Base			AHECB Recommendations					AHECB Recommendations				
	RSA	EETF	Total Base	100% ADHE Recommendation	3.0% Increase on RSA	Adjustment to 100% of ADHE Recommendation	Total New Funds	Total Recommendation	100% ADHE Recommendation	3.0% Continuing Level	Adjustment to 100% of ADHE Recommendation	Total New Funds	Total Recommendation
ADTEC/ADWIRED	1,500,000		1,500,000	2,045,000	45,000	500,000	545,000	2,045,000	2,091,350	46,350	0	46,350	2,091,350
AREON	0		0	1,365,000	0	1,365,000	1,365,000	1,365,000	2,797,500	0	1,432,500	1,432,500	2,797,500
ASU-System Office	2,362,680	143,972	2,506,652	2,764,360	70,880	186,828	257,708	2,764,360	2,851,591	73,007	14,224	87,231	2,851,591
ASU-Heritage	350,000		350,000	2,360,500	10,500	2,000,000	2,010,500	2,360,500	2,431,315	10,815	60,000	70,815	2,431,315
HSU-CEC	210,585		210,585	1,216,903	6,318	1,000,000	1,006,318	1,216,903	1,223,410	6,507	0	6,507	1,223,410
NWACC-CPTC	0		0	118,282	0	118,282	118,282	118,282	118,282	0	0	0	118,282
SACC-Arboretum	0		0	75,000	0	75,000	75,000	75,000	75,000	0	0	0	75,000
SAUT-ETA	368,404	34,622	403,026	614,224	11,052	200,145	211,198	614,224	625,608	11,384	0	11,384	625,608
SAUT-FTA	1,651,221	87,629	1,738,850	2,346,119	49,537	557,733	607,269	2,346,119	2,378,031	51,023	0	51,023	2,397,142
UA-SYS	3,417,950	268,797	3,686,747	4,033,351	102,539	244,066	346,604	4,033,351	4,145,878	105,615	6,912	112,527	4,145,878
UA-AS	2,327,380	132,872	2,460,252	2,706,471	69,821	176,398	246,219	2,706,471	2,783,663	71,916	5,276	77,192	2,783,663
UA-DivAgri	62,800,138	5,524,135	68,324,273	71,888,097	1,884,004	1,679,820	3,563,824	71,888,097	74,272,021	1,940,524	443,400	2,383,924	74,272,021
UA-ASMSA	1,113,015	7,288,324	8,401,339	8,965,364	33,390	530,635	564,025	8,965,364	8,999,756	34,392	0	34,392	8,999,756
UA-CS	2,295,575		2,295,575	2,454,442	68,867	90,000	158,867	2,454,442	2,528,076	70,933	2,701	73,634	2,528,076
UA-CJI	1,825,769		1,825,769	2,740,542	54,773	860,000	914,773	2,740,542	2,822,758	56,416	25,800	82,216	2,822,758
UAF-ARTP	0		0	250,000	0	250,000	250,000	250,000	250,000	0	0	0	250,000
UAF-Autism	0		0	2,500,000	0	2,500,000	2,500,000	2,500,000	2,500,000	0	0	0	2,500,000
UAF-GWG	0		0	500,000	0	500,000	500,000	500,000	500,000	0	0	0	500,000
UAF-Pryor Center	0		0	250,000	0	250,000	250,000	250,000	250,000	0	0	0	250,000
UAF-WTC AR	0		0	250,000	0	250,000	250,000	250,000	252,588	0	2,588	2,588	252,588
UALR-RAPS	4,087,836		4,087,836	6,399,471	122,635	2,189,000	2,311,635	6,399,471	6,591,455	126,314	65,670	191,984	6,591,455
UAPB-Nonformula*	3,647,591		3,647,591	4,491,757	844,166	0	844,166	4,491,757	4,626,511	134,753	1	134,754	4,626,511
Total	87,958,144	13,480,350	101,438,494	120,334,883	3,373,483	15,522,906	18,896,389	120,334,883	125,114,793	2,739,949	2,059,072	4,799,021	125,133,904

*Increase for RSA is greater than 3% for federal matching purposes.

Health-Related Non-Formula Entity - UAMS

Institution/Entity	FY2014-15			FY2015-16					FY2016-17				
	Base			AHECB Recommendations					AHECB Recommendations				
	RSA	EETF	Total Base	100% ADHE Recommendation	3.0% Increase on RSA	Adjustment to 100% of ADHE Recommendation	Total New Funds	Total Recommendation	100% ADHE Recommendation	3.0% Increase on RSA	Adjustment to 100% of ADHE Recommendation	Total New Funds	Total Recommendation
UAMS	79,456,661	9,331,813	88,788,474	102,186,919	2,383,700	11,014,745	13,398,445	102,186,919	106,033,550	2,455,211	1,391,420	3,846,631	106,033,550
UAMS-ABUSE/RAPE/DV	735,000		735,000	757,050	22,050	0	22,050	757,050	779,762	22,712	0	22,712	779,762
UAMS-Child Safety	720,588		720,588	742,206	21,618	0	21,618	742,206	764,472	22,266	0	22,266	764,472
UAMS-Ped/Psych/Res.	1,950,000		1,950,000	2,008,500	58,500	0	58,500	2,008,500	2,068,755	60,255	0	60,255	2,068,755
UAMS-IC	5,342,181	232,212	5,574,393	5,735,634	160,265	976	161,241	5,735,634	5,900,708	165,073	0	165,074	5,900,708
Total	88,204,430	9,564,025	97,768,455	111,430,309	2,646,133	11,015,722	13,661,854	111,430,309	115,547,246	2,725,517	1,391,420	4,116,937	115,547,246