HIGHER EDUCATION COORDINATING COMMISSION
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Docket Item:

Funding and Achievement Subcommittee Update (Public University Funding Formula)

Summary:

The F&A subcommittee discussed a number of topics including the public university financial monitoring work, an update on implementation components of the student success and completion model (SSCM) revisions, and a discussion of the tuition review criteria.

Material:

With fall enrollment information at hand, the financial monitoring work for the public universities focused on the remainder of FY2021 with a look at the projected impact on Education and General (E&G) fund balances. Most of them made due in FY2020 with cost cutting and the use of fund reserves. Information by institution covering FY2020 E&G fund activity was included.

Many of the actions taken during FY2020 continued in to FY2021. Luckily, predicted enrollment declines of 10-15% have not materialized for the public universities. As a result, four of the universities expect to use fund reserves during the year. Remaining fund balances across all of them collectively will be at less than 2 months of reserves.

With the Commission's endorsement of the staff recommendations during the November meeting, staff was tasked with providing additional information and recommendations related to the design of the mission differentiation (MD) funding component, the magnitude of a stop-loss mechanism, and multi-year forecasting.

Staff recommends establishing a "MD funding index" equal to $71 million adjusted annually by CPI. Under the new formula, MD would annually equal 16.6% of PUSF or the funding index, whichever is less. We believe this recommendation addresses institutional concerns about the current "one-sided ratchet" while also growing the portion funding allocated to activities and outcomes over the long haul.

For the stop loss, we committed to phase in any changes to the SSCM over time in support of one of the formula's guiding principles which is to provide funding stability. With flat state funding, a stop loss is needed in an effort to ensure no one institution experiences extraordinary losses relative to the others. The staff recommendation is to define the stop loss as 2.0% beyond any natural decrease in the total PUSF funding level in an effort to manage extraordinary funding shifts.

A multi-year forecasting tool was provided to the institutions to help them consider potential distributions over the next three biennia. End users can input funding assumptions and then see how the redesigned MD component and recommended stop-loss will affect future year distribution amounts by institution.

The subcommittee also discussed the tuition setting process and the tuition review criteria. The review criteria were originally adopted by the Commission in December 2018.

Staff Recommendation

This is an annual informational and discussion item only.