



Tab 22

Consideration of an Equity Funding Model

Coordinating Board for Higher Education
March 6, 2019

BACKGROUND

The department's 2019 Blueprint Implementation Plan commits to developing a new model for seeking institutions' funding requests. Staff plan to study approaches to more equitable per-student funding with advice from the National Center for Higher Education Management Systems (NCHEMS) and to work with board members and institutions to determine whether any changes should be made to the existing equity models.

Missouri does not have a formula for the allocation of funds to public colleges and universities. Instead appropriators have used a base-plus or -minus model in which the same percent increase or decrease is applied to all institutions without sensitivity to enrollment and programmatic cost factors. The most recent attempt at proposing a comprehensive funding formula was in 2013, when Senator David Pearce introduced [SB 437](#). The bill established target funding levels for each institution and compared those levels to existing funds. All institutions would receive their proportionate share of the appropriation -- that is, the share they currently received -- until they reached 100% of the target funding amount. One institution's appropriation would not be reduced to increase funding for another. The bill also contained a performance funding component under which 10% of each institution's operating budget would be appropriated based on performance. SB 437 was passed by the Senate but not ultimately adopted.

Missouri's public universities and community colleges have both adopted models to address differences in per-student funding levels, commonly referred to as "equity models."

Community College Model

The community colleges' model allocates new and existing funds in the following manner:

- 95% of the total state appropriations for community colleges will be distributed according to the current resource allocation model.
- 5% of the total state appropriation is designated as an equity pool.
- The 5% equity pool is distributed to each community college on a pro rata basis, according to student enrollment.
- Enrollment is defined as the three-year rolling average of full-time equivalent students (FTE).
- This 95-5 model is applied each year, regardless of whether state funding increases, decreases, or remains flat.

Public University Model

The Council on Public Higher Education (COPHE), which represents the state's public universities, has developed a model based on a weighted credit hour model. It excludes the University of Missouri's and Lincoln University's cooperative extension programs. The COPHE model applies to new money only.

Equity Adjustments

The first 10% of new money is allocated based on equity. In order to receive an equity adjustment, an institution's per-student appropriation must be more than one half of one standard deviation below the mean for all institutions other than the University of Missouri.

The non-University of Missouri institutions that are eligible for an equity adjustment divide 39.2% of the 10% of the new money among themselves based on their share of weighted enrollment. At the time COPHE's model was developed, three institutions were eligible for an equity adjustment: Southeast Missouri State University, Missouri State University, and Northwest Missouri State University.

The University of Missouri receives the remaining 60.8% of the 10% of the new money.

Performance Funding

Of the remaining 90% of the new money, two-thirds is distributed according to the performance funding model.

Differences in Program Costs

Of the remaining 90% of the new money, one-third is distributed based on each institution's total share of students enrolled in public universities.

Funding History

In FY 2019, that was \$10,044,016 of their \$146,376,515 core budget. The equity amount was appropriated at the same level the last few years. There has not been a separate equity line item for the four-year public universities since FY 2017. During the 2016 session, there was a pool appropriation of \$37,192,765 for all higher education institutions in addition to the equity line item for community colleges above. However, that pool included all sectors and was for performance funding and equity adjustments. It was also subject to restrictions. The department's FY 2020 budget requested a 1% core increase to be distributed through the sectors' equity models.

CURRENT STATUS

MDHE has engaged NCHEMS to support this process.

Between March and June, MDHE will work with an Equity Formula Review Team and NCHEMS as they perform the scope of work and present their findings to the board at the June 2019 CBHE meeting.

The team will work with NCHEMS staff and help guide their research and recommendations. Preliminary feedback will be solicited from both the Commissioners Advisory Group and from the Chief Financial Officers. There will be two different opportunities to engage with institutions on the funding model. First, in the beginning of the process through a survey and after the draft report is received from NCHEMS. Feedback will be considered by the team and shared with the contractor, NCHEMS, and a final set of information and recommendations will be provided to the CBHE and the PAC at their June meeting.

The scope of NCHEMS' work includes:

1. Compile information about resource allocation models used in other states and work in conjunction with the State Higher Education Executive Officers (SHEEO) association to conduct a national survey.
2. Compile and analyze data for each public Missouri higher education institution to evaluate and calculate appropriations per weighted credit hour based upon both the NCHEMS and Delaware cost study models. Other data will also be considered, such as student financial aid data and pros and cons of other alternative models.
3. Prepare a final report with state and national information, best practices, and analytic results with recommendations for the CBHE to consider at their June 2019 meeting.

Timeline for the project is as follows:

<u>Task</u>	<u>Deadline</u>	<u>Lead Assigned</u>
Provide Missouri specific data to contractor	Mid-March	Jeremy Kintzel/Jeff Barlow
Convene Equity Formula Review Team	Monthly March - June	Jeff Barlow/NCHEMS
Update PAC via webinar	April	Jeff Barlow
Update CFOs via webinar	April	Jeff Barlow
Preliminary Report Reviewed with Review Team	Late April/Early May	Jeff Barlow/NCHEMS
Draft shared with PAC and CFOs	May	Jeff Barlow
Final presentation to CBHE	June	NCHEMS

NEXT STEPS

MDHE will continue to provide program and budgetary data and convene a formula review team to advise and support the work of NCHEMS.

RECOMMENDATION

This is an information item only.

NO ATTACHMENTS