

# **Arkansas Department of Higher Education**

## **Operating Recommendations for State-Supported Institutions of Higher Education**

**2017-19 Biennium**



**Institutional Finance**

**December 2016**

**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  
2017-19 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 22, 2016 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 2017 appropriations was

\$353.1 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 are enrollment changes, flat or 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 2017-19 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 2016.

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 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 calendar year 2015 and the new educational and general square footage as reported in the Facilities Audit Program (FAP) 2016. The updated formula driven models represent a total need for funding of higher education institutions of \$975,422,417 and non-formula entities of \$239,549,587 in 2017-18.

Since it is not anticipated that the models will be fully funded in the near future, funding recommendations for 2017-18 are: For the **four-year institutions**, the priority is that those institutions below 75% of the model be brought to that level for a total four-year recommendation of \$126.28 million in new funds.

For the **two-year institutions**, the priority is that those institutions below 75% of the model be brought to that level for a total two-year recommendation of \$7.98 million in new funds.

For the **technical centers**, the priority is that those institutions below 75% of the model be brought to that level for a total two-year recommendation of \$2.63 million in new funds.

For the **non-formula entities**, the recommendation is for a 2.1% increase based on the HEPI index and a recommendation of full funding which combined would require an additional \$32.07 million, of which \$14.86 million would be for the University

of Arkansas for Medical Sciences (UAMS).

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 on the justifications submitted by the institutions. **The total recommendation for 2017-18 for Colleges, Universities, Non-Formula Entities and Technical Centers is \$168.97 million in new revenue.**

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 2017-19 Biennium



Institution Type	Fiscal Year 2016-17 Base						FY2017-18				FY2018-19		
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base (5/4/2016)	EETF (5/11/2016)	WF2000 (5/4/2016)	Total Fiscal Year Base	AHECB Recommendations						
							100% Model Calculated Need	Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
Colleges	127,731,761	14,192,418	141,924,179	7,719,788	22,589,450	172,233,417	214,574,766	180,217,045	7,983,628	4.6%	184,001,603	3,784,558	2.1%
Universities	363,000,266	40,333,363	403,333,629	39,300,206	0	442,633,835	748,841,595	568,917,891	126,284,056	28.5%	580,865,167	11,947,276	2.1%
<b>Subtotal</b>	<b>490,732,027</b>	<b>54,525,781</b>	<b>545,257,808</b>	<b>47,019,994</b>	<b>22,589,450</b>	<b>614,867,252</b>	<b>963,416,361</b>	<b>749,134,937</b>	<b>134,267,685</b>	<b>21.8%</b>	<b>764,866,770</b>	<b>15,731,834</b>	<b>2.1%</b>
Technical Centers			5,272,810	0	2,157,610	7,430,420	12,006,056	10,064,877	2,634,457	35.5%	10,276,239	211,362	2.1%
<b>Grand Total</b>			<b>550,530,618</b>	<b>47,019,994</b>	<b>24,747,060</b>	<b>622,297,672</b>	<b>975,422,417</b>	<b>759,199,813</b>	<b>136,902,141</b>	<b>22.0%</b>	<b>775,143,009</b>	<b>15,943,196</b>	<b>2.1%</b>

Non-Formula Entity Type	Fiscal Year 2016-17 Base			FY2017-18			FY2018-19		
	Total Current RSA Base (5/4/2016)	EETF (5/11/16)	Total Fiscal Year Base	AHECB Recommendations			AHECB Recommendations		
				Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
Non-Formula Entities	87,827,357	14,302,917	102,130,274	119,335,524	17,205,249	16.8%	\$122,233,783	\$2,898,260	16.8%
Health Care-Related UAMS	95,204,430	10,147,619	105,352,049	120,214,064	14,862,015	14.1%	\$123,918,186	\$3,704,122	24.9%
<b>Grand Total</b>	<b>183,031,787</b>	<b>24,450,536</b>	<b>207,482,323</b>	<b>239,549,587</b>	<b>32,067,264</b>	<b>15.5%</b>	<b>\$246,151,969</b>	<b>\$6,602,382</b>	<b>20.6%</b>

All Institution Types	Fiscal Year 2016-17 Base						FY2017-18 AHECB Recommendation			FY2018-19 AHECB Recommendation		
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base (5/4/2016)	EETF (5/11/2016)	WF2000 (5/4/2016)	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc	Total Recommendation	New Funds	% Inc
<b>Total</b>	<b>490,732,027</b>	<b>54,525,781</b>	<b>733,562,405</b>	<b>71,470,530</b>	<b>24,747,060</b>	<b>829,779,995</b>	<b>998,749,400</b>	<b>168,969,406</b>	<b>20.4%</b>	<b>1,021,294,979</b>	<b>22,545,578</b>	<b>2.3%</b>

NOTE: FY2016-17 Base - DFA Forecast as of 5/4/2016

Table B. 2017-19 Two-Year Colleges Recommendations



Inst	FY2016-17						FY2017-18					FY2018-19	
	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	Adjustment to Reach 75% of Need	Total Recommendation	% of Need Met	2.1% Continuing Level	Total Recommendation
ANC	7,719,347	857,705	8,577,052	781,029	730,954	10,089,035	10,089,035	100.0%	0	10,089,035	100.0%	211,870	10,300,904
ASUB	10,652,154	1,183,573	11,835,727	1,558,008	801,945	14,195,680	17,291,657	82.1%	0	14,195,680	82.1%	298,109	14,493,789
ASUMH	3,283,299	364,811	3,648,110	0	823,929	4,472,039	6,897,913	64.8%	701,396	5,173,435	75.0%	108,642	5,282,077
ASUMS	3,472,206	385,801	3,858,007	0	2,190,914	6,048,921	7,687,536	78.7%	0	6,048,921	78.7%	127,027	6,175,948
ASUN	5,393,064	599,229	5,992,293	0	1,417,628	7,409,921	11,857,653	62.5%	1,483,319	8,893,240	75.0%	186,758	9,079,998
BRTC	5,502,164	611,352	6,113,516	0	2,245,209	8,358,725	9,340,575	89.5%	0	8,358,725	89.5%	175,533	8,534,258
CCCUA	3,056,222	339,580	3,395,802	0	1,350,337	4,746,139	7,193,341	66.0%	648,867	5,395,006	75.0%	113,295	5,508,301
CotO	3,174,535	352,726	3,527,261	0	1,156,386	4,683,647	6,021,115	77.8%	0	4,683,647	77.8%	98,357	4,782,004
EACC	5,209,252	578,806	5,788,058	815,344	0	6,603,402	6,603,402	100.0%	0	6,603,402	100.0%	138,671	6,742,074
NAC	7,170,268	796,696	7,966,964	481,533	575,177	9,023,674	9,101,850	99.1%	0	9,023,674	99.1%	189,497	9,213,171
NPC	8,141,840	904,649	9,046,489	1,219,462	668,021	10,933,972	11,656,798	93.8%	0	10,933,972	93.8%	229,613	11,163,586
NWACC	9,557,282	1,061,920	10,619,202	1,077,690	0	11,696,892	20,455,496	57.2%	3,644,730	15,341,622	75.0%	322,174	15,663,796
OZC	2,813,828	312,648	3,126,475	0	1,271,841	4,398,316	6,339,756	69.4%	356,501	4,754,817	75.0%	99,851	4,854,668
PCCUA	8,156,779	906,309	9,063,088	794,035	529,856	10,386,979	10,386,979	100.0%	0	10,386,979	100.0%	218,127	10,605,105
PTC	13,623,693	1,513,744	15,137,437	0	2,273,772	17,411,209	22,471,909	77.5%	0	17,411,209	77.5%	365,635	17,776,844
RMCC	2,886,182	320,687	3,206,869	215,221	0	3,422,090	4,202,784	81.4%	0	3,422,090	81.4%	71,864	3,493,954
SACC	5,430,876	603,431	6,034,307	557,637	461,389	7,053,333	8,383,651	84.1%	0	7,053,333	84.1%	148,120	7,201,453
SAUT	5,134,960	570,551	5,705,511	219,829	0	5,925,340	8,661,876	68.4%	571,067	6,496,407	75.0%	136,425	6,632,832
SEAC	5,073,118	563,680	5,636,798	0	1,975,199	7,611,997	7,611,997	100.0%	0	7,611,997	100.0%	159,852	7,771,849
UACCB	3,717,955	413,106	4,131,061	0	866,760	4,997,821	6,388,006	78.2%	0	4,997,821	78.2%	104,954	5,102,775
UACCH	4,042,797	449,200	4,491,997	0	1,958,947	6,450,944	6,743,317	95.7%	0	6,450,944	95.7%	135,470	6,586,414
UACCM	4,519,940	502,216	5,022,155	0	1,291,186	6,313,341	9,188,120	68.7%	577,749	6,891,090	75.0%	144,713	7,035,803
<b>Total</b>	<b>127,731,761</b>	<b>14,192,418</b>	<b>141,924,179</b>	<b>7,719,788</b>	<b>22,589,450</b>	<b>172,233,417</b>	<b>214,574,766</b>	<b>80.3%</b>	<b>7,983,628</b>	<b>180,217,045</b>	<b>84.0%</b>	<b>3,784,558</b>	<b>184,001,603</b>

**Table C. 2017-19 Four-Year Universities Recommendations**



Inst	2016-17					FY2017-18					FY2018-19	
	90% Needs-based RSA Base	10% Outcomes-based RSA Base	Total RSA	EETF	Total Base (RSA & EETF)	Total Need	% of Need	Adjustment to Reach 75% of Need	Total Recommendation	% of Need	2.1% Continuing Level	Total Recommendation
ASUJ	50,740,480	5,637,831	56,378,311	6,377,540	62,755,851	114,678,309	54.7%	23,252,881	86,008,732	75.0%	1,806,183	87,814,915
ATU	26,839,746	2,982,194	29,821,940	2,189,000	32,010,940	58,456,725	54.8%	11,831,604	43,842,544	75.0%	920,693	44,763,238
HSU	16,916,592	1,879,621	18,796,213	2,264,417	21,060,630	23,300,799	90.4%	0	21,060,630	90.4%	442,273	21,502,903
SAUM	14,026,479	1,558,498	15,584,976	1,338,773	16,923,749	31,627,908	53.5%	6,797,182	23,720,931	75.0%	498,140	24,219,071
UAF	105,782,841	11,753,649	117,536,490	9,917,233	127,453,723	253,357,244	50.3%	62,564,210	190,017,933	75.0%	3,990,377	194,008,309
UAFS	18,535,154	2,059,462	20,594,615	3,318,007	23,912,623	34,961,233	68.4%	2,308,302	26,220,925	75.0%	550,639	26,771,564
UALR	51,000,535	5,666,726	56,667,261	5,750,502	62,417,763	90,231,974	69.2%	5,256,218	67,673,981	75.0%	1,421,154	69,095,134
UAM	11,761,041	1,306,782	13,067,823	1,155,403	14,223,227	18,672,216	76.2%	0	14,223,227	76.2%	298,688	14,521,915
UAPB	19,594,164	2,177,129	21,771,294	2,005,756	23,777,049	27,059,267	87.9%	0	23,777,049	87.9%	499,318	24,276,367
UCA	47,803,235	5,311,471	53,114,705	4,983,575	58,098,280	96,495,920	60.2%	14,273,660	72,371,940	75.0%	1,519,811	73,891,751
<b>Total</b>	<b>363,000,266</b>	<b>40,333,363</b>	<b>403,333,629</b>	<b>39,300,206</b>	<b>442,633,835</b>	<b>748,841,595</b>	<b>59.1%</b>	<b>126,284,056</b>	<b>568,917,891</b>	<b>76.0%</b>	<b>11,947,276</b>	<b>580,865,167</b>

**Table D. 2017-19 Technical Centers Recommendations**



Institution	FY2016-17			FY2017-18					FY2018-19	
	RSA	Workforce 2000	Total Base	Total Need	% of Need Met	Adjustment to 75% of Need	Total Recommendation	% of Need	2.1% Continuing Level	Total Recommendation
ATU-Ozark	2,394,591	794,490	3,189,081	7,764,717	41.1%	2,634,457	5,823,538	75.0%	122,294	5,945,832
UAM-Crossett	1,154,300	657,024	1,811,324	1,811,324	100.0%	0	1,811,324	100.0%	38,038	1,849,362
UAM-McGehee	1,723,919	706,096	2,430,015	2,430,015	100.0%	0	2,430,015	100.0%	51,030	2,481,045
<b>Total</b>	<b>5,272,810</b>	<b>2,157,610</b>	<b>7,430,420</b>	<b>12,006,056</b>	<b>61.9%</b>	<b>2,634,457</b>	<b>10,064,877</b>	<b>83.8%</b>	<b>211,362</b>	<b>10,276,239</b>



Table E. 2017-19 Non-Formula Entities Recommendations



Institution/Entity	FY2016-17			FY2017-18				FY2018-19			
	Base			AHECB Recommendations				AHECB Recommendations			
	RSA	EETF	Total Base	2.1% Continuing Level	Base Operations & Program Enhancements	Total New Funds	Total Recommendation	2.1% Continuing Level	Base Operations & Program Enhancements	Total New Funds	Total Recommendation
ADTEC	1,500,000	0	1,500,000	31,500	0	31,500	1,531,500	32,162	0	32,162	1,563,662
AREON	0	0	0	0	1,200,000	1,200,000	1,200,000	0	0	0	1,200,000
ASU-System Office	2,362,680	152,757	2,515,437	49,616	0	49,616	2,565,053	50,658	0	50,658	2,615,712
ASU-Heritage	350,000	0	350,000	7,350	2,079,580	2,086,930	2,436,930	7,504	43,671	51,175	2,488,105
HSU-CEC	79,798	0	79,798	1,676	0	1,676	81,474	1,711	0	1,711	83,185
NWACC-CPTC	0	0	0	0	120,800	120,800	120,800	0	2,537	2,537	123,337
SACC-Arboretum	0	0	0	0	75,000	75,000	75,000	0	0	0	75,000
SAUT-ETA	368,404	36,735	405,139	7,736	100,000	107,736	512,876	7,899	0	7,899	520,775
SAUT-FTA	1,651,221	92,976	1,744,197	34,676	685,156	719,832	2,464,029	35,404	374,351	409,754	2,873,783
UA-SYS	3,417,950	285,199	3,703,149	71,777	260,647	332,424	4,035,573	73,284	5,473	78,757	4,114,330
UA-AS	2,327,380	140,980	2,468,360	48,875	82,706	131,581	2,599,941	49,901	1,654	51,556	2,651,496
UA-DivAgri	62,800,138	5,861,216	68,661,354	1,318,803	2,500,000	3,818,803	72,480,157	1,346,498	500,000	1,846,498	74,326,655
UA-ASMSA	1,113,015	7,733,055	8,846,070	23,373	565,840	589,213	9,435,283	23,864	0	23,864	9,459,147
UA-CS	2,295,575	0	2,295,575	48,207	105,000	153,207	2,448,782	49,219	2,205	51,424	2,500,206
UA-CJI	1,825,769	0	1,825,769	38,341	988,380	1,026,721	2,852,490	39,146	20,755	59,901	2,912,391
UAF-ARTP	0	0	0	0	250,000	250,000	250,000	0	0	0	250,000
UAF-Autism	0	0	0	0	2,500,000	2,500,000	2,500,000	0	0	0	2,500,000
UAF-GWG	0	0	0	0	1,200,000	1,200,000	1,200,000	0	0	0	1,200,000
UAF-Pryor Center	0	0	0	0	173,087	173,087	173,087	0	0	0	173,087
UAF-WTC AR	0	0	0	0	250,000	250,000	250,000	0	2,588	2,588	252,588
UALR-RAPS	4,087,836	0	4,087,836	85,845	1,689,000	1,774,845	5,862,681	87,647	50,670	138,317	6,000,998
UAPB-Nonformula*	3,647,591	0	3,647,591	612,278	0	612,278	4,259,869	89,457	0	89,457	4,349,326
<b>Total</b>	<b>87,827,357</b>	<b>14,302,917</b>	<b>102,130,274</b>	<b>2,380,053</b>	<b>14,825,196</b>	<b>17,205,249</b>	<b>119,335,524</b>	<b>1,894,356</b>	<b>1,003,904</b>	<b>2,898,260</b>	<b>122,233,783</b>

\*Increase for RSA is greater than 2.1% for federal matching purposes.

Health-Related Non-Formula Entity - UAMS

Institution/Entity	FY2016-17			FY2017-18				FY2018-19			
	Base			AHECB Recommendations				AHECB Recommendations			
	RSA	EETF	Total Base	2.1% Continuing Level	Base Operations & Program Enhancements	Total New Funds	Total Recommendation	2.1% Continuing Level	Base Operations & Program Enhancements	Total New Funds	Total Recommendation
UAMS	86,456,661	9,901,237	96,357,898	1,815,590	12,862,722	14,678,312	111,036,210	1,853,717	1,662,844	3,516,561	114,552,772
UAMS-ABUSE/RAPE/DV	735,000	0	735,000	15,435	0	15,435	750,435	15,759	0	15,759	766,194
UAMS-Child Safety	720,588	0	720,588	15,132	0	15,132	735,720	15,450	0	15,450	751,170
UAMS-Ped/Pysch/Res.	1,950,000	0	1,950,000	40,950	0	40,950	1,990,950	41,810	0	41,810	2,032,760
UAMS-IC	5,342,181	246,381	5,588,562	112,186	0	112,186	5,700,748	114,542	0	114,542	5,815,290
<b>Total</b>	<b>95,204,430</b>	<b>10,147,619</b>	<b>105,352,049</b>	<b>1,999,293</b>	<b>12,862,722</b>	<b>14,862,015</b>	<b>120,214,064</b>	<b>2,041,278</b>	<b>1,662,844</b>	<b>3,704,122</b>	<b>123,918,186</b>