

# Arkansas Department of Higher Education Operating Recommendations

## Fiscal Year 2012-13



**Volume 6  
Institutional Finance**

**December 2013**

**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 2014-15**

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**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, 2012 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 2014-15 based upon those requests.

The difference between the funding model determined needs of the entities compared to the Fiscal 2014 appropriations was \$256.4 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 2014-15 Fiscal Year**

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 2012. Following the April meeting, staff determined a Higher Education Price Index (HEPI) adjustment was not included for the Student Services Component and also an adjustment was needed for additional space generated by the space needs model in the two-year model. The recommended changes are below.

- Student Services: Student Services is calculated based on a variable rate per student using the mean of FTE students and headcount. The rates are \$757 each for the first 750 students, \$537 each for the next 2,250 students, \$333 each for the remaining students above 3,000.
- Funding rates for Physical Plant are based on actual Educational & General (E&G) square feet as reported in the 2012 Facilities Audit Program (FAP) compared to the model-determined need. When the actual E&G square footage exceeds the model determined space need by more than one hundred and fifty (150) percent, a rate of \$2.40 per square foot for any excess square footage will be applied. If the model determined need exceeds the actual E&G square feet, then \$5.40 per square foot will be applied to the actual square footage and \$2.40 per square foot for the additional space needed.

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 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 academic year 2013 and the educational and general square footage as reported in the Facilities Audit Program (FAP) 2012. The updated formula driven models represent a total need for funding of higher education institutions of \$871,785,503. The total funding recommendation for the non-formulas entities is \$275,873,726 in 2014-15.

Since it is not anticipated that the models will be fully funded in the near future, funding recommendations for 2014-15 are: For the **four-year institutions**, a 1.7% increase for all institutions based on the Higher Education Price Index (HEPI) which totals \$6.1 million and further recommending that those institutions below 75% of the model be brought to that level which is an additional \$42.5

million for a total four-year recommendation of \$48.6 million in new revenue.

For the **two-year institutions** the priority is to bring those institutions below 75% of the model before giving an increase based on the HEPI index. To bring those institutions below 75% to that level would require \$16.1 million. To provide a 1.7% increase on the HEPI index would require an additional \$ 2.2 million for a total two-year recommendation of \$18.2 million in new revenue.

For the **technical centers** the recommendation is for a 1.7% increase based on the HEPI index which is \$89,638 and an adjustment to bring those below 75% of the model to 75% which would require an additional \$2.5 million, for a total recommendation of \$2.6 million in new revenue.

For the **non-formula entities** the recommendation is for a 1.7% increase based on the HEPI index which is \$4.6 million and a recommendation of full funding which would require an additional \$59.2 million, of which \$45.9 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 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 2014-15 for Colleges, Universities, Non-Formula Entities and Technical Centers is \$133 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, 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:

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

ADHE Executive Staff recommend that the Arkansas Higher Education Coordinating Board approve the following resolution.

**RESOLVED**, That the Arkansas Higher Education Coordinating Board adopts the recommendations for state funding of the educational and general operations of Arkansas public institutions of higher education in the 2014-15 fiscal year as included in Tables A, B, C, D and E.

**FURTHER RESOLVED**, That the Director of the Arkansas Department of Higher Education is authorized to prepare appropriate documents for transmission to the Governor and the General Assembly of the 2014-15 operating recommendations of the Arkansas Higher Education Coordinating Board.

**FURTHER RESOLVED**, That should any errors of a technical nature be found in these recommendations, the Director of the Arkansas Department of Higher Education is authorized to make appropriate corrections consistent with the policy established by the Board's action on these recommendations.

Table A. Summary of Operating Needs & Recommendations for the 2014-15 Fiscal Year



Institution Type	Fiscal Year 2013-14 Base						FY2014-15 AHECB Recommendations			
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base	EETF (7/10/2013)	WF2000 (7/9/2013)	Total Fiscal Year Base	Total Need	Total Recommendation	New Funds	% Inc
	Colleges	127,731,761	14,192,418	141,924,179	7,105,623	22,589,450	171,619,252	231,380,990	189,854,019	18,234,767
Universities	360,054,956	40,006,106	400,061,062	36,314,194		436,375,256	627,663,285	484,988,300	48,613,044	11.1%
<b>Subtotal</b>	<b>487,786,717</b>	<b>54,198,524</b>	<b>541,985,241</b>	<b>43,419,817</b>	<b>22,589,450</b>	<b>607,994,508</b>	<b>859,044,275</b>	<b>674,842,320</b>	<b>66,847,812</b>	<b>11.0%</b>
Technical Centers			5,272,811		2,157,611	7,430,422	12,741,228	10,012,719	2,582,298	34.8%
<b>Total</b>			<b>547,258,052</b>	<b>43,419,817</b>	<b>24,747,061</b>	<b>615,424,930</b>	<b>871,785,503</b>	<b>684,855,039</b>	<b>69,430,109</b>	<b>11.3%</b>

Non-Formula Entity Type	Fiscal Year 2013-14 Base			FY2014-15 AHECB Recommendation		
	Total Current RSA Base	EETF (7/10/13)	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc
	Non-Formula Entities	86,909,224	13,024,414	99,933,638	117,828,117	17,894,479
Health Care-Related UAMS	102,804,430	9,340,303	112,144,733	158,045,609	45,900,876	40.9%
<b>Total</b>	<b>189,713,654</b>	<b>22,364,717</b>	<b>212,078,371</b>	<b>275,873,726</b>	<b>63,795,355</b>	<b>30.1%</b>

All Institution Types	Fiscal Year 2013-14 Base						FY2014-15 AHECB Recommendation		
	90% Current RSA Base	10% Performance Funding	Total Current RSA Base	EETF (7/10/13)	WF2000 (7/9/13)	Total Fiscal Year Base	Total Recommendation	New Funds	% Inc
<b>Total</b>	<b>487,786,717</b>	<b>54,198,524</b>	<b>736,971,706</b>	<b>65,784,534</b>	<b>24,747,061</b>	<b>827,503,301</b>	<b>960,728,765</b>	<b>133,225,464</b>	<b>16.1%</b>

NOTE: FY2013-14 Base - DFA Forecast as of 7/10/2013

Table B. 2014-15 Four-Year Universities Recommendations



Inst	2013-14					FY2014-15					
	90% Needs-based RSA Base	10% Outcomes-based RSA Base	Total RSA	EETF	Total Base (RSA & EETF)	Total Need	% of Need	1.7% Continuing Level on RSA (90% Needs-Based)	Adjustment to Reach 75% of Need	New Funds	Total Recommendation
ASUJ	50,307,486	5,589,721	55,897,207	6,010,765	61,907,972	96,577,712	64.1%	855,227	9,670,085	10,525,312	72,433,284
ATU	26,591,534	2,954,615	29,546,149	2,014,849	31,560,998	47,817,365	66.0%	452,056	3,849,970	4,302,026	35,863,024
HSU	16,652,936	1,850,326	18,503,262	2,084,266	20,587,528	21,876,874	94.1%	283,100	-	283,100	20,870,628
SAUM	13,904,618	1,544,958	15,449,575	1,232,264	16,681,839	21,264,579	78.4%	236,378	-	236,378	16,918,217
UAF	104,759,012	11,639,890	116,398,902	9,128,245	125,527,147	207,362,608	60.5%	1,780,903	28,213,906	29,994,809	155,521,956
UAFS	18,373,582	2,041,509	20,415,091	3,054,036	23,469,127	31,498,171	74.5%	312,351	-	312,351	23,781,478
UALR	51,000,535	5,666,726	56,667,261	5,293,008	61,960,269	83,391,384	74.3%	867,009	-	867,009	62,827,278
UAM	11,658,862	1,295,429	12,954,291	1,063,483	14,017,774	16,049,030	87.3%	198,201	-	198,201	14,215,975
UAPB	19,423,931	2,158,215	21,582,146	1,846,183	23,428,329	23,428,329	100.0%	330,207	-	330,207	23,758,536
UCA	47,382,460	5,264,718	52,647,178	4,587,095	57,234,273	78,397,233	73.0%	805,502	758,150	1,563,652	58,797,925
<b>Total</b>	<b>360,054,956</b>	<b>40,006,106</b>	<b>400,061,062</b>	<b>36,314,194</b>	<b>436,375,256</b>	<b>627,663,285</b>	<b>69.5%</b>	<b>6,120,934</b>	<b>42,492,110</b>	<b>48,613,044</b>	<b>484,988,300</b>

**Table C. 2014-15 Two Year Colleges Recommendations**



Inst	FY2013-14						FY2014-15					
	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	1.7% Continuing Level on RSA (90% Needs-Based)	New Funds	Total Recommendation
ANC	7,719,347	857,705	8,577,052	718,892	730,954	10,026,898	10,026,898	100.0%	-	131,229	131,229	10,158,127
ASUB	10,652,154	1,183,573	11,835,727	1,434,057	801,945	14,071,729	15,498,141	90.8%	-	181,087	181,087	14,252,816
ASUMH	3,283,299	364,811	3,648,110	-	823,929	4,472,039	6,957,964	64.3%	746,434	55,816	802,250	5,274,289
ASUN	5,393,064	599,229	5,992,293	-	1,417,628	7,409,921	10,218,597	72.5%	254,027	91,682	345,709	7,755,630
BRTC	5,502,164	611,352	6,113,516	-	2,245,209	8,358,725	11,218,314	74.5%	55,011	93,537	148,547	8,507,272
CCCUA	3,056,222	339,580	3,395,802	-	1,350,337	4,746,139	6,795,360	69.8%	350,381	51,956	402,337	5,148,476
CotO	3,174,535	352,726	3,527,261	-	1,156,386	4,683,647	6,001,091	78.0%	-	53,967	53,967	4,737,614
EACC	5,209,252	578,806	5,788,058	750,478	-	6,538,536	6,867,891	95.2%	-	88,557	88,557	6,627,093
MSCC	3,472,206	385,801	3,858,007	-	2,190,914	6,048,921	8,085,640	74.8%	15,309	59,028	74,337	6,123,258
NAC	7,170,268	796,696	7,966,964	443,223	575,177	8,985,364	11,239,769	79.9%	-	121,895	121,895	9,107,259
NPCC	8,141,840	904,649	9,046,489	1,122,445	668,021	10,836,955	12,817,433	84.5%	-	138,411	138,411	10,975,366
NWACC	9,557,282	1,061,920	10,619,202	991,952	-	11,611,154	22,758,658	51.0%	5,457,840	162,474	5,620,313	17,231,467
OZC	2,813,828	312,648	3,126,475	-	1,271,841	4,398,316	7,332,200	60.0%	1,100,834	47,835	1,148,669	5,546,985
PCCUA	8,156,779	906,309	9,063,088	730,864	529,856	10,323,808	10,323,808	100.0%	-	138,665	138,665	10,462,473
PTC	13,623,693	1,513,744	15,137,437	-	2,273,772	17,411,209	31,024,967	56.1%	5,857,516	231,603	6,089,119	23,500,328
RMCC	2,886,182	320,687	3,206,869	198,099	-	3,404,968	4,428,551	76.9%	-	49,065	49,065	3,454,033
SACC	5,430,876	603,431	6,034,307	513,273	461,389	7,008,969	9,106,871	77.0%	-	92,325	92,325	7,101,294
SAUT	5,134,960	570,551	5,705,511	202,340	-	5,907,851	8,930,697	66.2%	790,172	87,294	877,466	6,785,317
SEAC	5,073,118	563,680	5,636,798	-	1,975,199	7,611,997	7,880,264	96.6%	-	86,243	86,243	7,698,240
UACCB	3,717,955	413,106	4,131,061	-	866,760	4,997,821	6,539,010	76.4%	-	63,205	63,205	5,061,026
UACCH	4,042,797	449,200	4,491,997	-	1,958,947	6,450,944	6,996,672	92.2%	-	68,728	68,728	6,519,672
UACCM	4,519,940	502,216	5,022,155	-	1,291,186	6,313,341	10,332,194	61.1%	1,435,805	76,839	1,512,643	7,825,984
<b>Total</b>	<b>127,731,761</b>	<b>14,192,418</b>	<b>141,924,179</b>	<b>7,105,623</b>	<b>22,589,450</b>	<b>171,619,252</b>	<b>231,380,990</b>	<b>74.2%</b>	<b>16,063,327</b>	<b>2,171,440</b>	<b>18,234,767</b>	<b>189,854,019</b>



**Table D. 2014-15 Technical Centers Recommendations**



Institution	FY2013-14			FY2014-15					
	RSA	Workforce 2000	Total Base	100% Model Calculated Need	% of Need Met	1.7% Continuing Level on RSA	Adjustment to 75% of Need	New Funds	Total Recommendation
ATU-Ozark	2,394,591	794,490	3,189,081	7,513,397	42.4%	40,708	2,405,259	2,445,967	5,635,048
UAM-Crossett	1,154,300	656,737	1,811,037	2,557,416	70.8%	19,623	87,402	107,025	1,918,062
UAM-McGehee	1,723,919	706,384	2,430,303	2,670,415	91.0%	29,307	-	29,307	2,459,610
<b>Total</b>	<b>5,272,811</b>	<b>2,157,611</b>	<b>7,430,422</b>	<b>12,741,228</b>	<b>58.3%</b>	<b>89,638</b>	<b>2,492,660</b>	<b>2,582,298</b>	<b>10,012,719</b>

**Table E. 2014-15 Non-Formula Entities Recommendations**



Institution/Entity	FY2013-14				FY 2014-15			
	RSA	EETF	Total Base	2013-14 ADHE Recommendation	1.7% Continuing Level	New Enhancements	Total New Funds	Total Recommendation
ADTEC/ADWIRED	1,000,000	-	1,000,000	2,000,000	34,000	-	1,034,000	2,034,000
AREON	-	-	-	1,350,758	22,963	-	1,373,721	1,373,721
ASU-System Office	2,362,680	-	2,362,680	2,860,360	48,626	-	546,306	2,908,986
ASU-Heritage	300,000	-	300,000	2,191,862	37,262	-	1,929,124	2,229,124
HSU-CEC	210,585	-	210,585	216,903	3,687	-	10,005	220,590
SACC - Arboretum	-	-	-	-	-	75,000	75,000	75,000
SAUT-ETA	368,404	33,813	402,217	436,560	7,422	200,000	241,765	643,982
SAUT-FTA	1,651,221	85,579	1,736,800	2,348,209	39,920	-	651,329	2,388,129
UA-SYS	3,417,950	262,509	3,680,459	4,249,609	72,243	-	641,393	4,321,852
UA-AS	2,327,380	129,765	2,457,145	3,191,266	54,252	-	788,373	3,245,518
UA-DivAgri	62,800,138	5,394,913	68,195,051	71,244,334	1,211,154	-	4,260,437	72,455,488
UA-ASMSA	1,113,015	7,117,835	8,230,850	8,649,279	147,038	-	565,467	8,796,317
UA-CS	2,295,575	-	2,295,575	2,464,442	41,896	-	210,763	2,506,338
UA-CJI	1,825,769	-	1,825,769	2,918,042	49,607	-	1,141,880	2,967,649
UAF-GWG	-	-	-	500,000	8,500	-	508,500	508,500
UAF-Pryor Center	-	-	-	235,000	3,995	-	238,995	238,995
UAF- ARTP	-	-	-	-	-	250,000	250,000	250,000
UAF-WTC AR	-	-	-	-	-	250,000	250,000	250,000
UALR-RAPS	3,588,916	-	3,588,916	5,616,583	95,482	-	2,123,149	5,712,065
UAPB-Nonformula*	3,647,591	-	3,647,591	4,623,270	78,596	-	1,054,275	4,701,866
<b>Total</b>	<b>86,909,224</b>	<b>13,024,414</b>	<b>99,933,638</b>	<b>115,096,477</b>	<b>1,956,640</b>	<b>775,000</b>	<b>17,894,479</b>	<b>117,828,117</b>

\*100% Recommendation for federal matching purposes.

**Health-Related Non-Formula Entity - UAMS**

Institution/Entity	FY2013-14				FY 2014-15			
	RSA	EETF	Total Base	2013-14 ADHE Recommendation	1.7% Continuing Level	New Funds	Total New Funds	Total Recommendation
UAMS	94,056,661	9,113,523	103,170,184	146,255,501	2,486,344	-	45,571,661	148,741,845
UAMS-CARDVC	735,000	-	735,000	735,000	12,495	-	12,495	747,495
UAMS-Child Safety	720,588	-	720,588	742,204	12,617	-	34,233	754,821
UAMS-Ped&PRI	1,950,000	-	1,950,000	1,950,000	33,150	-	33,150	1,983,150
UAMS-IC	5,342,181	226,780	5,568,961	5,721,040	97,258	-	249,337	5,818,298
<b>Total</b>	<b>102,804,430</b>	<b>9,340,303</b>	<b>112,144,733</b>	<b>155,403,745</b>	<b>2,641,864</b>	<b>-</b>	<b>45,900,876</b>	<b>158,045,609</b>