



# The Florida Senate

*Interim Project Report 98-58*

*October 1998*

Committee on Budget

Senator Locke Burt, Chairman

## STATE UNIVERSITY SYSTEM FUNDING MODEL REVISIONS

### SUMMARY

This project was initiated to examine the following major policy areas:

- funding for faculty and university workload associated with state employee space-available, tuition-free courses;
- funding mechanisms for research and public service to recognize university missions;
- funding for operations and fixed capital outlay associated with branch campuses and centers;
- separating the cost of Master's level and Ph.D. level education from a combined cost for graduate education;
- identifying the cost of medical education programs including medicine, veterinary medicine, dentistry, health related professions, public health, nursing, and pharmacy;
- funding for full-time-equivalent (FTE) students at the lower and upper levels adjusted for the impact of course re-leveling;
- revisions in the calculation of direct and full cost in the enrollment funding model.

**Several components of this study are dependent upon completion of analysis and recommendations by the Board of Regents. Some of these components are not complete at this time but will be addressed by the Education Budget Subcommittee when it develops the 1999-2000 budget for the State University System.**

### BACKGROUND

The State University System funding process, its funding formulas and allocation procedures have historically received significant discussion and debate in the Legislature. For fourteen of the last twenty years (70% of the time), proviso language has directed the Board of Regents and/or the Postsecondary Education Planning Commission (PEPC) to review or examine some or all of the components of the formulas used by

the Legislature to fund instruction and research and other university support activities. The Board of Regents procedures for allocating the appropriated resources have also been reviewed. During this twenty-year period, several approaches have been used by the Legislature to provide funding for the instruction and research budget. The general approaches have been:

- 1) an enrollment-related staffing pattern formula, based on student-teacher ratios, that generates academic positions for teaching, research, public service, advising, and academic administration activities. This generates a per-student funding amount for lower level, upper level, graduate classroom, and thesis/dissertation level course work and the associated academic-related activities;
- 2) a zero-based, program budget formula which reflected the actual expenditures by program discipline and category of expenditure (salaries, other personal services, expenses, equipment);
- 3) non-formula enhancement funding for instruction and research;
- 4) a formula utilizing funding standards adopted by the Board of Regents for instruction, libraries, plant operations and maintenance;
- 5) cost-based funding models that use eight to ten cost categories which reflected the services provided. The underlying principle in the model was that the legislature was provided the flexibility to decide which cost category it would fund and the funding level for each;
- 6) performance incentive funding that used selected performance criteria.

### **Historical Legislative Formula**

For the past twenty years the legislature has primarily used a staffing pattern formula to fund enrollment growth in the Educational and General budget. This formula has traditionally been referred to as the **Historical Legislative Formula**. The formula generates academic positions (faculty, graduate assistants, faculty adjuncts) based on student-teacher ratios for classroom instruction for lower level, upper level, graduate classroom, and thesis/dissertation course work and for academic advising. Additional academic positions are provided for departmental research to allow faculty to remain current in their field, for public service and for academic support functions. The annual incremental enrollment growth generated academic positions for the instruction and departmental research missions of the institutions and academic department support positions. This formula did not recognize staffing requirements or resources for libraries, student services, plant maintenance and general administration. Plant maintenance has always been a separate formula.

During the early 1990's the legislature began to monitor the universities' expenditure patterns for instruction, research, public service, academic advising, and academic administration and compare expenditures to the appropriation for these activities. The legislature found that the universities were expending the resources differently than the basis for the appropriation. For example, the student-teacher ratios funded by the legislature provided smaller class sizes for lower and upper level instruction than the actual average class sizes budgeted by the universities. Conversely, the academic positions and related funding appropriated for graduate instruction and research were historically less than the allocation of funds for these activities by the universities. This led to the conclusion that as the universities matured, a greater proportion of the enrollment-generated resources were allocated to graduate education and research and a lesser proportion was allocated to undergraduate education. As a result, the legislature required a re-direction of resources into undergraduate education.

### **1993 New Funding Methodology**

In 1993, a new funding model was developed that was not based on student-teacher ratios or other staffing patterns. An underlying principle in the new model was to close the loop between the legislative appropriations process, the allocation of the appropriation by the Board of Regents, and the expenditure of funds by the universities. To accomplish this, the annual expenditure

analysis was used to establish the direct cost of undergraduate and graduate instruction per FTE student. The individual costs for research, public service, academic advising, academic administration, library staffing, university support, student services and student financial aid were each divided by the total of the undergraduate and graduate fte students. The result was a derived amount per FTE student for each component of the cost for each university that disregards the level of instruction. The direct cost per FTE, for the undergraduate level and the graduate level, and the individual derived indirect costs per FTE were used for the enrollment workload request by the Board of Regents and considered by the Governor and the legislature in the development of the budget.

One of the primary goals of the new funding model was to provide flexibility to the legislature to identify the components of the cost that it wanted to fund and the level of funding for each component. Each year a debate has occurred over which components of the model should be funded and the level of funding for each component. Since 1993 the Board of Regents has allocated the funds as appropriated and the annual expenditure analysis has reflected the expenditure of the funds.

### **Funding Model Revisions**

As a part of the process of implementing performance based program budgeting for the State University System(s.216.0235, F.S.), the cost assumptions used in developing the 1993 funding model were re-evaluated.

In the expenditure analysis, the assignment of faculty and other instructional effort by course drives the allocation of direct instructional cost for lower level course work, upper level course work, graduate classroom coursework and thesis/dissertation course work. Indirect cost, or university support cost, is allocated to each level of instruction. The indirect cost allocation is based on the estimated use of various university functions to support the primary activities: instruction, research, and public service. For example, graduate education and research require a greater use of the libraries and library resources, and therefore, a greater proportion of the library costs are allocated to these activities.

A comparison of the direct cost and the allocation of indirect cost in the annual expenditure analysis, to the methodology used in the 1993 funding model, showed that the two approaches are very different. At the lower

level the legislature was funding 30% more than the actual cost of lower level instruction, 10% more at the upper level and 1.14% less at the graduate level. Proviso language in the 1997-98 General Appropriations Act directed the Board of Regents to use the annual expenditure analysis to revise the 1993 Enrollment Funding Model to reflect the cost per full-time-equivalent student at the lower level, upper level and graduate level. The Board was also directed to break out the costs of masters and Ph.D. programs from the total graduate costs and to separately identify the medical professional program costs.

**Model III of the revised funding proposals submitted by the Board of Regents was the basis for the 1998-99 appropriation for enrollment growth (see Exhibit II, lines 15-17).**

This model needs additional revision as follows:

- 1) revision of the lower level and upper level costs for the impact of course re-leveling, approximately 9,200 FTE have been reclassified from upper level to lower level;
- 2) dissection of the total cost of graduate education to reflect the cost of masters programs and Ph.D. programs;
- 3) identification of the cost of medical programs to include: medicine, veterinary medicine, dentistry, health related professions, public health, nursing, and pharmacy.

**Exhibits I and II demonstrate the different funding approaches.**

Key differences between the Historical Legislative Formula and the 1993 New Funding Methodology are:

- 1) the Historical Legislative Formula is based on staffing patterns that produce academic and support positions that are funded at the same value for each university (see Exhibit II, lines 21-23);
- 2) the Historical Legislative Formula produces resources to support the instruction, departmental research and public service missions of the universities and does not recognize other university support costs (see Exhibit I);
- 3) the New Funding Methodology provides a link between legislative appropriations decisions, allocation decisions by the Board of Regents, and expenditure decisions by the universities which the Historical Legislative Formula does

not do because it is based on incremental enrollment growth.

Key differences between the 1993 New Funding Methodology and Model III are:

- 1) Model III reflects the direct cost of instruction for the lower level and the upper level rather than one cost for undergraduate education;
- 2) once the data is developed, Model III will reflect the cost of masters level course work and Ph.D. level course work rather than one cost for graduate education;
- 3) Model III uses the expenditure analysis methodology for allocating indirect costs rather than an equal dollar amount per fte student;
- 4) Model III provides release time for faculty to remain current in their field at the rate of 10% of the direct cost of instruction. The 1993 New Funding Methodology provided 100% of the per-student expenditures for all research activities that were not directly associated with instruction; 1998-99 proviso language provides that the Board of Regents may develop a separate formula for other research activities;
- 5) Model III does not provide for public service; 1998-99 proviso language provides that the Board of Regents may develop a separate formula for this activity;
- 6) Model III does not include an enhancement formula for library staffing and resources as does the New Funding Methodology. The legislature has historically provided non-formula enhancement funding for library resources.

Included on Exhibit II, lines 32-34, is a representation of what the legislature would have provided for the 1998-99 enrollment workload had it used a funding approach similar to the one which has been used in the past for enrollment growth in the community colleges. Since the community colleges have not had an enrollment workload issue for several years, this formula has not been used for at least five years.

**1998-99 Proviso Language in the General Appropriations Act (GAA)**

***Proviso language in the State University System Budget:***

- The Board of Regents shall conduct a study of the impact of the current policy which authorizes state employees to take up to six hours of courses free per semester and shall make recommendations regarding that policy to the 1999 Legislature;
- On a system wide basis, per FTE funding has been provided as follows; Lower level- \$6,013, Upper level- \$8,144, Graduate level- \$14,085. For the 1999-2000 budget request, the Board may make adjustments to Model III to reflect the direct and full cost of delivering Lower level, Upper level, Masters level, Ph.D. level and Medical Professional level instruction. The Board of Regents may also submit a proposal for funding research and public service activities.

***Proviso language in the PECO Budget:***

- The Board of Regents shall prepare a detailed plan for expanding the joint-use model. The plan should address the anticipated number and location, optimal size, instructional loads of faculty, and anticipated funding requests for both operating and capital costs of these joint-use centers (both in total funding and on a per-student basis).

***Proviso language in the back of the GAA related to state employee benefits:***

- The following items shall be implemented in accordance with the provisions of this Act and with the negotiated collective bargaining agreements between the Governor and the respective bargaining units, except as noted:

- A. Continue to provide up to six (6) credit hours of tuition-free courses per term at a State University to all full-time employees on a space-available basis.

***Committee substitute for House Bill 3389 passed by the 1998 Legislature included the following provision in s.110.1099, F.S.:***

- state employees may be authorized to receive fundable tuition waivers on a space-available basis. Student credit hours generated by state employee fee waivers shall be fundable credit hours.

## METHODOLOGY

The interim project work plan included the following: 1) monitor the work of the Board of Regents in developing new funding formulas for research and public service as addressed in proviso language, 2) monitor the work of

the Board of Regents on the development of funding methodologies for branch campuses/ centers and joint-use facilities, 3) monitor the work of the Board of Regents in reviewing the impact of the policy of allowing state employees to take tuition-free courses, 4) analyze the impact of the activities of the universities to renumber courses to be consistent with the community colleges which affect the costs at the lower and upper levels, 5) undertake a study of the number of hours taken per student for the baccalaureate degree as well as for graduate degrees, 6) work with staff of the Board of Regents to update funding formulas to reflect appropriate direct and indirect cost figures and other program considerations.

Meetings have been held with staff of the Board of Regents and the Chancellor to determine the status of completion of the proviso requirements. Staff has prepared and analyzed funding formula information.

## FINDINGS

- ***New funding formulas for research and public service and funding methodologies for branch campuses/centers and joint-use facilities:***

The Chancellor has recently hired a new person to fill the position of Vice Chancellor, Planning and Policy Analysis who began work on November 9, 1998. New funding proposals for instruction, research and public service are currently being developed, including funding mechanisms for enhancement funding. A proposal will be provided to the Education Budget Subcommittee for use in development of the 1999-2000 budget once fully developed and approved by the universities and the Board of Regents. Regarding the issue of funding for joint-use facilities, the State University System and the State Board of Community Colleges are planning to submit a joint statewide plan for increasing partnerships, expanding branch campuses and off-campus sites , and for increasing access to the baccalaureate degree. This plan will be submitted to the Governor, the President of the Senate and the Speaker of the House of Representatives in August 1999.

- ***State employee space-available, tuition free courses:***

***Beginning in 1970, employees of the State University System were allowed to take up to six credit hours per term on a space-available basis.***

***This benefit was extended to all state employees beginning in 1979.***

The Board of Regents staff have requested the following from each university: 1) written policies and procedures for employee fee waivers; 2) an estimate of the annual cost for administration of the Employee Fee Waiver Program; 3) an estimate of the tuition and fee revenues foregone as a result of the fee waivers; 4) problems associated with the administration and implementation of the Employee Fee Waiver Program; 5) recommendations for addressing the problems identified in 4 above; 6) recommendations for funding the credit hours associated with the waivers.

Staff of the Colleges and Universities Committee in the House of Representatives and staff of the Board of Regents, are reviewing a large amount of data including, but not limited to, the following: 1) the number of employee waivers for State University System employees and all other state employees; 2) the number and value of the waivers by state agency; 3) the level of the course work for which waivers are provided; 4) the average number of students receiving waivers in a class;

***Board of Regents Report:***

On November 20, 1998, the Board of Regents approved its report to the legislature entitled "State University System State Employee Tuition and Fee Waivers". In developing the report, Regents' staff reviewed written provisions included in statute(s. 110.1099 and s. 240.209, F.S.) historical proviso language, collective bargaining agreements, and guidelines provided by the Department of Management Services for all state agencies to use in administering the tuition-free program. The staff also reviewed the practices of other southern states. In addition, 1997-98 data was analyzed that reflected the number of participants and the number of course hours taken by students by level, by university and by state agency.

Analysis of the 1997-98 data reflects that 50,152 credit hours were taken by approximately 7,065 state employees. Of the 7,065 employees, 2,650 or 46% worked for the state university system and 4,415 or 54% worked for the 38 other state agencies. Of the total 7,065 employees, 27% were classified as undergraduate students, 27% classified as graduate students and 46% were *unclassified students* which means that the student was not officially pursuing a degree. Of the 50,152

credit hours taken, 52% were undergraduate level course hours and 48% were graduate level course hours.

The state agencies which have taken the greatest advantage of the tuition-free course benefit are (#employees and % of total employees): SUS-2,650 employees, 46% of the total; Children and Families-658, 11% of total; Corrections-600, 10%; Dept Health-439, 7.5% of total; Labor and Employment Security-336, 5.8% of total; and Revenue-194, 3.3% of total.

The distribution of the total 50,152 credit hours that were delivered by university follows: UF-4,538 credit hours (cr hrs) or 9%, FSU-10,146 cr hrs or 20.2%, FAMU-5,861 cr hrs or 11.7%, USF-7,664 or 15.3%, FAU-4,098 cr hrs or 8.2%, UWF-2,007 cr hrs or 4%, UCF-4,797 cr hrs or 9.6%, FIU-7,515 cr hrs or 15%, UNF 2,441 cr hrs or 4.9% and FGCU-1,085 cr hrs or 2.1%.

The administration of the tuition-free benefit for state employees impacts the universities. Registration for tuition-free courses requires university employees to verify that the student is a state employee and that the signed authorization is legitimate. This is a time-consuming, manual process. In addition, universities incur costs associated with student advising, registration, processing of grades, access to libraries and library resources and use of technology. The universities have estimated that the non-instruction costs incurred in administering the tuition-free program are approximately \$3.2 million.

Section 240.209(7), Florida Statutes authorizes the Board of Regents to permit qualified, full-time, university system employees to enroll in up to 6 tuition-free credit hours of instruction per semester.

Section 110.1099, Florida Statutes provides the following:

- (1) Education and training are an integral component in improving the delivery of services to the public. Recognizing that the application of productivity-enhancing technology and practice demand continuous educational and training opportunities, state employees may be authorized to receive fundable tuition waivers on a space-available basis or vouchers to attend work-related courses at public universities. Student credit hours generated by state employee fee waivers shall be fundable credit hours.

(2) The department, in conjunction with the agencies, shall request that such institutions provide evening and weekend programs for state employees. When evening and weekend training and educational programs are not available, employees may be authorized to take paid time off during their regular working hours for training and career development, as provided in s.110.105(1), if such training benefits the employer.

(3) Employees who exhibit superior aptitude and performance may be authorized to take paid educational leaves of absence for up to 1 academic year at a time, for specific approved work-related education and training.

(4) Such employees must enter into contracts to return to state employment for a period of time equal to the length of the leave of absence or refund salary and benefits paid during their educational leaves of absence.

(5) The Department of Management Services, in consultation with the agencies and Florida’s public postsecondary educational institutions, shall adopt rules to implement and administer this section.

***The Board of Regents report includes the following recommendations:***

- 1) The State Comptroller should allow universities restricted read-only access to current state payroll information to facilitate verification of state employment. Further, the Department of Management Services should maintain a computerized database, accessible by the universities, of state agency human resource personnel authorized to sign employee tuition and fee waivers.
- 2) Section 110.1099(1), F.S., should be amended to make it clear that the “work related” restriction does not apply to courses taken by employees with an employee tuition and fee waiver.
- 3) Fully fund credit hours taken by all state employees with employee tuition and fee waivers. If the universities receive full funding fo credit hours associated with employee tuition and fee waivers, the space-available restriction should be eliminated and employees with employee tuition and fee waivers should be allowed to register along with other students. On the other hand, if employee tuition and fee

waiver credit hours are not fully funded, then the space-available restriction should be retained to limit the cost to the universities of providing the program and the registration restrictions should remain in place.

- **Analyzing the impact of the course re-leveling activities and updating the current funding formulas to reflect direct and indirect costs:**

The annual cost study has been completed for the 1997-98 fiscal year. Staff at the Board of Regents are in the process of preparing the required information.

**RECOMMENDATIONS**

State Employee Tuition-free Coursework:

- 1. The Department of Management Services or a legislative substantive committee should undertake a study to determine the administration and effectiveness of the space-available, tuition-free program for all state agencies including the state university system. The study should specifically address the goals that the State desires to accomplish and the benefits to the State and the employees with the provision of this type of perquisite.
- 2. State employees have expressed a desire to take coursework in the community college system which at this time is not authorized in the proviso language or in statute. The legislature should address this issue at the same time it addresses the tuition-free coursework issue for the universities.
- 3. Funding should be provided to the postsecondary education institutions for the appropriate costs which can be identified.

Funding formula updates as specified in this report:

- 1. The Board of Regents staff should continue the development of the required funding formula information for use by the Education Budget Subcommittee in budget deliberations on or before January 8, 1998.

**EXHIBIT I  
STATE UNIVERSITY SYSTEM FUNDING APPROACHES  
COMPONENT PARTS**

**HISTORICAL LEGISLATIVE FORMULA**

BASED ON STAFFING PATTERNS FOR: INSTRUCTION  
(USES STUDENT-TEACHER RATIOS) RESEARCH(KEEPING CURRENT IN FIELD)  
PUBLIC SERVICE  
ACADEMIC ADVISING  
ACADEMIC ADMINISTRATION

COST BASED ON A FIXED AMOUNT PER POSITION FOR SALARIES, EXPENSES, EQUIPMENT AND ELECTRONIC DATA PROCESSING. EACH UNIVERSITY RECEIVES THE SAME AMOUNT.

**1993 FUNDING MODEL**

BASED ON DIRECT COST OF INSTRUCTION FOR UNDERGRADUATE AND GRADUATE EDUCATION

INDIRECT COSTS ALLOCATED ON AN EQUAL \$ PER STUDENT REGARDLESS OF FTE LEVEL

RECOGNIZED COSTS BY UNIV INCLUDE: INSTRUCTION-2 LEVELS(DIRECT)  
RESEARCH(FULL COST)  
PUBLIC SERVICE  
ACADEMIC ADVISING  
ACADEMIC ADMINISTRATION  
LIBRARY STAFFING  
LIBRARY RESOURCES  
UNIVERSITY SUPPORT  
STUDENT SERVICES  
STUDENT FINANCIAL AID

**MODEL SUBMITTED PURSUANT TO 1997/98 PROVISIO LANGUAGE AND USED  
FOR ENROLLMENT GROWTH FOR 1998-99**

BASED ON DIRECT COST OF INSTRUCTION FOR LOWER, UPPER, GRAD I, AND GRAD II LEVELS

INDIRECT COSTS ALLOCATED PURSUANT TO THE COST STUDY METHODOLOGIES

RECOGNIZED COSTS BY UNIV INCLUDE: INSTRUCTION- LOWER,UPPER,MASTERS, PHD  
MEDICAL DIRECT COST  
RESEARCH(DIRECT COST OF INSTRUCTION\*10%)  
ACADEMIC ADVISING  
ACADEMIC ADMINISTRATION, NO PUB SERVICE  
LIBRARY STAFFING AND RESOURCES (NO ENHANCED FUNDING FORMULA)  
STUDENT SERVICES AND FINANCIAL AID  
UNIVERSITY SUPPORT

**STATE UNIVERSITY SYSTEM EDUCATIONAL AND GENERAL  
ENROLLMENT FUNDING OPTIONS-1998/99  
EXHIBIT II**

	REF:FUNDOPT	UF	FSU	FAMU	USF	FAU	UWF	UCF	FIU	UNF	E&G TOT
1	<b>1993 FUNDING MODEL @ 100% AND BOR REQUEST FOR 1998-99</b>										
2	LOWER LEVEL	8,971	9,059	10,615	9,804	10,316	9,385	8,462	8,810	8,512	9,442
3	UPPER LEVEL	8,971	9,059	10,615	9,804	10,316	9,385	8,462	8,810	8,512	9,442
4	GRADUATE LEVEL	16,359	16,593	16,921	14,417	14,836	12,853	11,713	12,214	10,564	14,805
5											
6											
7	<b>REVISED MODEL PER PROVISIO IN 1997-98 GENERAL APPROPRIATIONS ACT (BASED ON EXPENDITURE ANALYSIS)</b>										
8	LOWER LEVEL COST	5,106	5,706	7,006	5,868	6,548	6,360	5,624	7,445	7,476	6,013
9	UPPER LEVEL COST	8,237	7,486	12,264	8,388	10,140	9,528	7,655	6,539	8,102	8,144
10	GRADUATE LEVEL COST-LEVEL 1	14,235	13,753	18,645	12,418	12,873	13,715	10,362	9,765	10,369	13,787
11	GRADUATE LEVEL COST-LEVEL 2	22,200	23,670	28,247	16,745	31,652	13,737	14,877	19,472	8,496	14,831
12											
13											
14	<b>MODEL USED TO FUND ENROLLMENT GROWTH IN THE 1998-99 GENERAL APPROPRIATIONS ACT</b>										
15	LOWER LEVEL COST	5,106	5,706	7,006	5,868	6,548	6,360	5,624	7,445	7,476	6,013
16	UPPER LEVEL COST	8,237	7,486	12,264	8,388	10,140	9,528	7,655	6,539	8,102	8,144
17	GRADUATE LEVEL COST-COMBINED	16,219	16,348	19,262	13,135	14,846	13,725	10,907	10,777	10,319	14,085
18											
19											
20	<b>HISTORICAL LEGISLATIVE FORMULA, USING STAFFING PATTERNS &amp; FIXED COSTS PER POSITION</b>										
21	LOWER LEVEL COST	4,252	4,252	4,252	4,252	4,252	4,252	4,252	4,252	4,252	4,252
22	UPPER LEVEL COST	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662
23	GRADUATE LEVEL COST	6,909	6,909	6,909	6,909	6,909	6,909	6,909	6,909	6,909	6,909
29											
30											
31	<b>DIRECT COST + 30%, THE COMMUNITY COLLEGE FORMULA APPROACH</b>										
32	LOWER LEVEL COST	3,108	3,431	4,350	3,873	4,031	3,767	3,700	4,707	4,759	3,779
33	UPPER LEVEL COST	5,654	5,430	8,150	5,896	7,041	6,468	5,481	4,563	5,486	5,754
34	GRADUATE LEVEL COST	14,158	14,418	14,672	11,245	12,063	10,358	9,164	8,944	7,868	11,974

**COMMITTEE(S) INVOLVED IN REPORT** *(Contact first committee for more information.)*

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Committee on Education

**MEMBER OVERSIGHT**

Senators Donald C. Sullivan and John F. Laurent