

MINUTES

SPECIAL COMMISSION ON 21ST CENTURY COLLEGES AND UNIVERSITIES

Tuesday, April 11, 2000
10:00 a.m.
Senate Chamber

Pursuant to a notice posted in accordance with Senate Rules, a public hearing of the Special Commission on 21st Century Colleges and Universities was held on Tuesday, April 11, 2000.

MEMBERS PRESENT

Chairman Jim Adams
Senator Teel Bivins
Kirbyjon Caldwell
James Hooten
Dr. Betsy Jones
Margie Kintz
Nancy Marcus
Elaine Mendoza
Senator Bill Ratliff
Jeff Sandefer
Karen Shewbart
Senator Carlos Truan
Senator Royce West
Pam Willeford (ex-officio)

MEMBERS ABSENT

Commissioner Tony Garza
Danny Vickers

Chairman Jim Adams called the meeting to order at 10:01 a.m. There being a quorum present, the following business was transacted.

Chairman Adams advised that the first order of business was to approve the minutes of the March 23, 2000 meeting. Senator Carlos Truan moved to approve the minutes.

Without objection, the minutes were approved.

Chairman Adams announced that the next meeting of the Commission will be held on May 9, 2000 in Nacogdoches, Texas. He then gave an explanation of the meeting format and introduced the presenter, Dr. Kent Caruthers, Consultant for MGT of America, Inc. of Tallahassee, Florida.

Dr. Caruthers began his presentation on the topic of higher education funding. He spoke on the state role in higher education finance, noting that there are three typical funding targets: public colleges and universities, independent colleges and universities, and student financial aid. He discussed the typical state

strategies for funding public colleges and universities. These include formulas and/or guidelines, incremental adjustments (i.e. salary increases), and targeted approaches.

Dr. Caruthers defined "funding formula" as the mathematical relationship between levels of activity and resources required or funding rate. A "level of activity" measure is the number of students. A "funding rate" is dollars per square foot. He said that there is no single "correct" mathematical relationship, but rather best judgement.

Dr. Caruthers said that formulas are used to justify needs based on educational standards and best practices, to ensure equity in allocations and minimize political influence, and to document policy decisions and avoid the need for annual debate. Dr. Caruthers stated that formulas tend to be reimbursements.

Dr. Caruthers went on to say that nearly all of the Southern Regional Education Board states use budget formulas, and that approximately 30 states rely on formulas for at least part of their budget planning.

Chairman Adams asked how prevalent it is for states to fund individual campuses as opposed to giving a lump sum to the university systems for distribution at the systems' discretion. Dr. Caruther, replied that, most often, individual institutions are identified in state budgets, though not in Florida or Georgia.

Dr. Caruthers described the typical structure of a funding formula. He said that most formulas are actually a collection of different formulas, and that there are often different formulas for institutions with different missions (i.e. universities vs. community colleges). He said that different formulas are based on expenditure formulas or combinations. Dr. Caruthers stated the practice of allocating some funding on top of the formula funding is nearly universal.

Dr. Caruthers testified that funding formulas are based on cost estimates, but that funds are not necessarily utilized accordingly.

Senator Bivins asked about the use of performance funding. Dr. Caruthers responded that target funding tends to produce better results.

Chairman Adams encouraged Commission members and the university representatives in the audience to discuss accountability in relation to funding in the scheduled afternoon break-out sessions.

Senator West commented on the importance for each university to be represented in the break-out sessions. He asked Commission staff to make certain that all schools had been contacted and that every effort had been made to get representatives to the meeting.

Dr. Caruthers discussed reasons why states abandon or change funding formulas. Reasons include lack of new money, changes in mission, structure, and/or delivery systems, and political shifts. Areas of concern in regard to formulas include: the emphasis on quantity over quality, the inability of formulas to recognize different missions, that formulas may perpetuate past inequalities, that they are inflexible when it comes to sudden changes, and that formulas are not always linked to public policies.

Some trends in funding practice include simplification of formulas, incorporation of performance components, modifications for new educational delivery models, reliance on per comparisons, and categorical funding for new initiatives.

Dr. Caruthers went on to discuss performance-based models. He discussed the distinction between performance budgeting and performance funding, the use of performance approaches, and the typical structure of performance-based models. Common performance indicators include retention and graduation rates, professional licensure test scores, faculty work loads, standardized test scores, and student, faculty, and staff diversity, among others.

Some problems with design (choosing performance indicators, assessing higher education results, and protecting campus diversity) and implementation (timing program initiation, costs of data collection and analysis, changing state priorities and leaders) have been encountered. Dr. Caruthers noted that South Carolina's system allocates 100% of their higher education budget on performance. Dr. Caruthers cited a need to combine excellence and improvement in measuring performance.

He concluded by stating that future funding methods will need to take new educational delivery models such as branch campuses, multi-university centers, and distance learning into account.

Chairman Adams asked Senator Bill Ratliff to explain Texas' method of formula funding.

Senator Ratliff explained that, in Texas, public higher education is subsidized, not state-funded; therefore, state money has less impact on behavior. Academic funding is broken down as follows: 76% formula funding, 14% reimbursable items like workers compensation, and 10% special items such as the McDonald Observatory.

Through the formula, institutions receive 80% for operations, a 5% supplement for tenured professors, as well as a growth supplement, and a supplement for infrastructure support.

Senator Ratliff expressed his concern that performance funding would result in too many unintended consequences, such as pressure on professors to give away degrees to students who have not earned them. In his opinion, quality could better be effected through greater emphasis on the teaching supplement.

The Commission members broke into groups to meet with representatives of Texas universities to discuss funding issues.

The members reconvened at 2:55 p.m. Chairman Adams asked members for the most important points from the funding break-out session.

James Hooton said that, in his group, it seemed that the formula is essential to maintain infrastructure. In order to attack any state objective, there must be more resources.

Karen Shewbart said that her impression from the break-out session was that the formula provides comfort for universities because it is a funding source that can be counted on, but could be "tweaked". With regard to performance measures, what is good for one school is not necessarily good for all, so measures would need to be segmented by institutional mission. Any financial incentives should be given on top of the formula rather within the formula structure.

Elaine Mendoza cited faculty pay issues, the failure of formula funding to respond quickly enough to fast growth at individual institutions, and differential tuition as topics that arose in her group's discussion.

Senator Ratliff said that the question of how a state targets institutions to become Research I, etc., without shortchanging other institutions, and the anomalies of the funding formula (failure to recognize part-time students) were topics that his group discussed.

Chairman Adams said that Commission staff would contact the Presidents' office of each university to ensure their presence at future meetings with break-out sessions.

Chairman Adams led a brief discussion of funding issues.

There was no public testimony.

There being no further business, at 3:40 p.m. Chairman Adams moved that the Commission stand adjourned. Without objection, it was so ordered.

Jim Adams, Chair

Kimberly Berry, Commission Clerk