

General Description of Allocation Framework Components

INSTRUCTION AND ACADEMIC SUPPORT

Rationale for method: Provides comparable funding for similar programs. Allows for mission differentiation and flexibility to pursue unique goals and program mix.

Data Used:

- 1) Actual instruction and academic support expenditures for each program at each institution at the level of instruction (lower division, upper division, and graduate).
- 2) Actual FYE for each program at each institution at the level of instruction.
- 3) Institutional academic support expenditures per total FYE is added to each academic program when calculating instruction and academic support costs.

How it works:

A 20% band around the system average (10% above and 10% below) for each instructional program is calculated. If the cost per FYE of an institution's program is:

- 1) **“Average Cost”**(within the band), the institution is allocated the same level of expenditures per FYE for that program;
- 2) **“High cost”** (above the upper 10% band), the institution's allocation is reduced to the level of the upper band for that program.
- 3) **“Low Cost”** (below the lower 10% band), the institution's allocation is increased to the level of the lower band.

The amount per FYE that a program is above or below the band is then multiplied by the number of FYE in the program to get a total allocation for the program. The total instructional and academic support allocation for the institution is arrived at by summing the total allocation for each of its programs. The program cost increases (or decreases) are added (or subtracted) from the institution's base to arrive at a net adjustment to the base instructional expenditures.

Beginning in FY2006, a three year rolling average of instruction and academic support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

Lowering overall program costs while maintaining enrollment; and increasing FYE's while maintaining expenditure levels.

STUDENT SERVICES & INSTITUTIONAL SUPPORT

Rationale for approach: Recognize core administrative activities and account for differences in enrollment and institutional type. The component is composed of Institutional Support and Student Services based on IPEDS definitions.

Data:

- 1) Expenditures of college and university peer groups
 - 2) FTE enrollment of college and university peer groups
 - 3) MnSCU college and university FTE enrollment
- * “Peers” are a set of institutions throughout the U.S. comparable to MnSCU institutions.

How it works:

A core cost and a variable cost is estimated using the expenditures and enrollments of MnSCU's peer institutions. The core and variable costs are calculated separately for colleges and universities. Beginning in FY2006, a three year rolling average of student services & institutional support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

The allocation calculation is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institution's costs will be covered.

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FACILITIES

Rationale for approach: Recognize the costs related to the operation, maintenance and repair of an institution's physical plant.

Data:

1) Square feet (current operating square feet of buildings); 2) Headcount enrollment and 3) Utility costs.

How it works:

Benchmarks of \$1.80 per square foot for maintenance and operations and \$1.50 per square foot for repair and replacement. Other smaller impacts include costs for utilities (average expenditures of previous three years or an adjustment for institutions with a steam plant), large leases for instructional purposes, multiple campus factor, residential living factor.

Principle Policy Choices that Impact Outcomes

Keep costs below the allocation per square foot for operations and repair and replacement. Most institutions are well below this threshold.

LIBRARY

Rationale for approach: Recognizes the unique mission differences between college and university libraries. Fund institutions close to national benchmarks.

Data:

1) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, and Facilities categories of the allocation framework.

How it works:

The Library function is calculated as a percentage of an institution's total operating costs. Colleges are allocated 3.5% of total operating expenditures and universities are allocated 6% of total operating expenditures. There is a minimum level of funding of \$70,000.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure, and consequently, as long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

RESEARCH AND PUBLIC SERVICE

Rationale for approach: Funds colleges and universities at a rate similar to national peers.

Data:

1) Expenditures of peer groups (unrestricted funds)
2) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, Library and Facilities categories of the allocation framework

How it works:

The peers of MnSCU's colleges spend 1.36% of operating expenditures on research and public service. The peers of MnSCU's universities spend 2.51% of operating expenditures on these activities. These percentages are applied to an institution's total operating costs.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

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ENROLLMENT ADJUSTMENT

Rationale for Approach: Accounts for the difference between how the state funding formula recognizes Non-resident and Non-reciprocity (NR/NR) and Midwest Student Exchange Program (MSEP) students and how the allocation framework does.

Data:

- 1) Total Expenditures (from the Instruction and Academic Support, Administration, Library, Facilities and Research and Public Service categories) per total FYE
- 2) NRNR and MSEP enrollment (FYE)

How it works:

- 1) Determine the total allocation per FYE to arrive at a simulated “per FYE allocation”.
- 2) Multiply the number of NR/NR and MWC FYE at each institution by 50%.
- 3) Reduce an institution’s per FYE allocation from #1 by the number of NR/NR and MWC in #2.
- 4) Redistribute the total amount reduced for all institutions based on percent share of total allocation.

Principle Policy Choices that Impact Outcomes

Reduce the number of non-resident and non-reciprocity students.

TUITION OFF-SET (REVENUE BUYDOWN)

Rational for Method: The allocation framework allocates only state appropriations. State appropriation revenue is isolated from the other general fund revenue (primarily tuition) as a means to recognize only the state appropriation expenditures in the instructional cost comparisons and in other framework categories.

Data:

- 1) Total institutional General Fund expenditures
- 2) Total institutional General Fund revenue, categorized by: a) state appropriation revenue; and b) All “other” revenue -- revenue that is not state appropriation (primarily tuition revenue)

How it works:

For each institution, divide the “other” revenue by total general fund expenditures to arrive at a percentage. This percentage is applied against institutional expenditures to isolate the state appropriations. The greater reliance on state appropriation, the lower the tuition off-set.

Principle Policy Choices that Impact Outcomes:

The tuition offset has an impact on all allocation framework categories. In all categories except instruction, the tuition offset is applied at the end of the calculation becoming, in a sense, a discount on the allocation. Consequently, institutions with a relatively higher tuition offset would receive lower appropriation allocation, all else being equal.

Within the instruction and academic support category, the tuition buy down is applied in two steps in the calculation. In the first step, the tuition revenue offset creates a direct discount on total instructional expenditures. Consequently, a relatively low tuition offset results in a higher state appropriation allocation. In the second step, where expenditures for similar programs are compared, a program with a higher discount (and lower cost) would perform better in the direct comparisons, all else being equal. The first step has a greater impact than the second step.