

# Allocation Framework Redesign Update -



Update for MnSCU Partners  
WebEx  
May 5, 2016



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES

# Allocation framework redesign update

1. Project overview
2. Review board-approved allocation framework redesign principles
3. Preliminary recommendations
4. Proposals under consideration
5. Questions and discussion

# Why are changes to the current allocation framework being considered?

2016 Workplan Charge

System Incentives and Rewards recommendation:

*Redesign the current financial model to incent and reward collaboration, strategic framework commitments, and Charting the Future recommendations*

# 2016 Project design

- Allocation Framework Technical Advisory Committee (TAC)

Group responsible for evaluating changes to the framework and making recommendations for changes to MnSCU leadership

- Development and consultation process

Continuing consultation with Leadership Council, CFOs, CAOs, other campus leaders, bargaining units and student associations

# Project timetable

- Board approval of the allocation framework redesign principles (November 2015)
- Initial Leadership Council and Board of Trustees review and discussion of recommendations (June 2016)
- Consultation with bargaining units and student representatives (July – October 2016)
- Review by Leadership Council and Board of Trustees (Oct. 2016)
- Final recommendations presented to Board of Trustees (November 2016)
- Board of Trustee approval of changes (December 2016)
- Implementation targeted for July 1, 2017 – FY 2018

# Board-approved allocation framework redesign principles

The allocation framework should support the following:

- Academic and student success goals
- The educational and workforce needs of the state
- Financial and functional sustainability of diverse institutions, programs, and students
- Delegation of authority to colleges and universities
- The success and viability of the system of colleges and universities
- Collaboration and systemic change by leveraging the power of the system

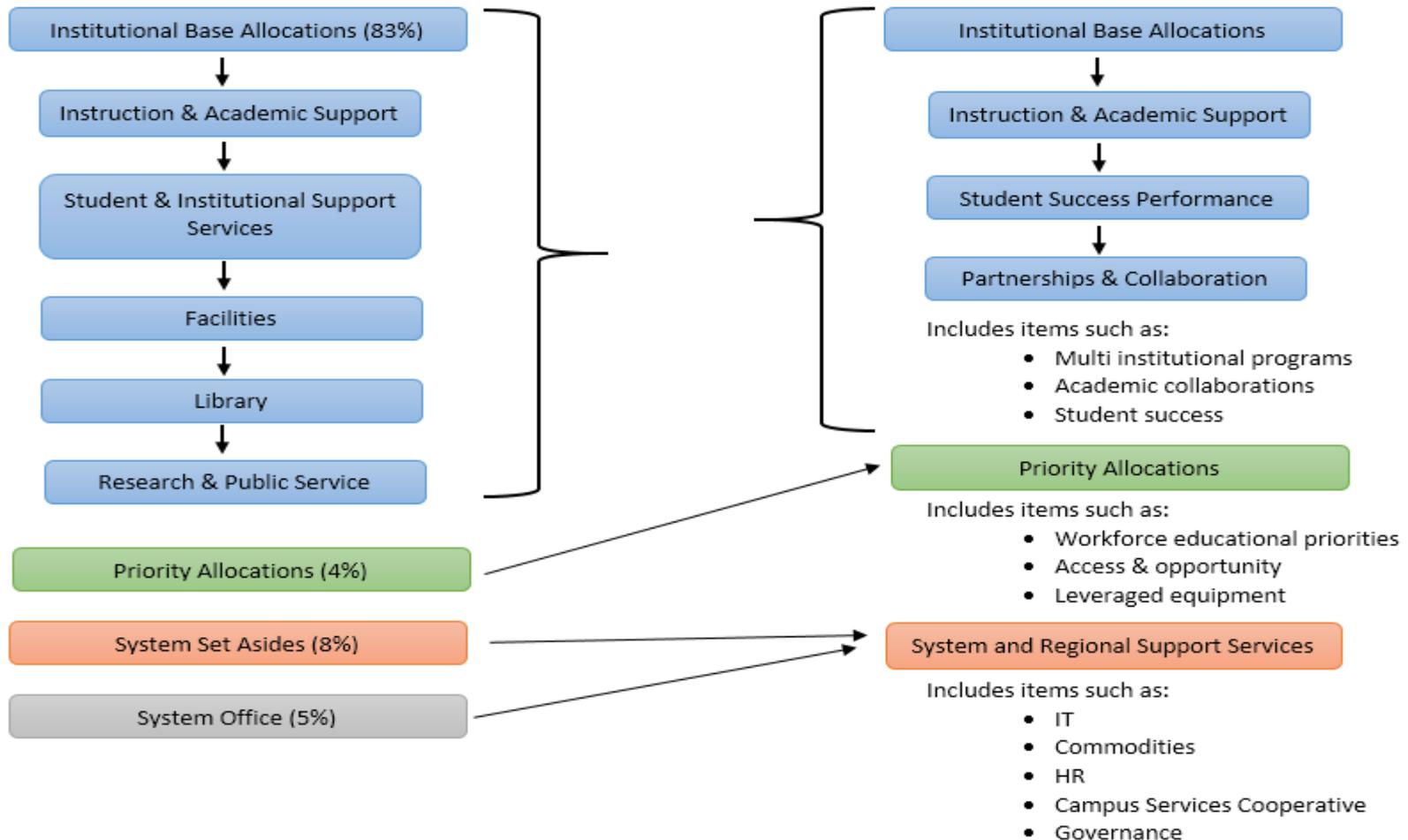
# Allocation redesign principles (continued)

The design of the allocation framework should:

- Be flexible, simple and transparent
- Incorporate measurable outcomes that recognize the diversity of institutions and their missions
- Incent and/or reward:
  - Student success e.g. retention, graduation, transfer, employability, elimination of the opportunity gap
  - Collaboration around academic planning, student success efforts, administration, resource development, and achievement of collective goals
  - Administrative best practices and efficiencies
- Reach an appropriate balance between stability and responsiveness to changing conditions
- Recognize that costs of serving students varies by academic program and student requirements

Implementation of the new design should provide for a smooth transition

# Charting the Future/System Incentives & Rewards Allocation Framework Current vs. Proposed



# Allocation framework redesign focus areas

- Student success
- Cooperation, collaboration and partnerships
- Libraries and research modifications
- Facilities modifications
- Student services and institutional support modifications
- Revenue buydown review
- “Smoothing” mechanisms review

# Preliminary Recommendation #1: Eliminate the enrollment adjustment in the current framework

***Policy construct:*** The enrollment adjustment in the system's allocation framework was intended to mirror the state level enrollment adjustment in statute. In the 2005 session, the legislature repealed the statutory enrollment adjustment used to recognize Minnesota resident enrollment as a way to fund the system.

## Preliminary Recommendation #2: Incorporate a student success component into the allocation framework

***Policy construct:*** The purpose of this allocation component is to reward progress toward or achievement of improvement goals on key student success measures. The allocation will serve to raise the visibility of student success and provide incentives for improvements.

## Preliminary Recommendation #2: Incorporate a student success component into the framework (continued)

***How it would work:*** Performance on two measures would be used initially to determine the student success allocation. The measures are easy to understand.

- Second Term Persistence and Completion Rate
- Student Success Ratio

Colleges and universities that demonstrate improvement in these measures would receive a student success allocation.

## Preliminary Recommendation #3: Shift library expenses to instruction/academic support; remove the research/public service component in the allocation framework

***Policy construct:*** The purpose of the library and research/public service components was to allow for recognition of mission differences between colleges and universities. Currently, these two components are entirely formulaic based on national spending benchmarks that have not been updated since the allocation framework was implemented and is not reflective of actual spending in these areas.

# Under consideration: cooperation, collaboration and partnerships

- Question: How might the allocation framework be modified to encourage and recognize collaboration and partnership?
- Obstacle: Difficult to measure this activity
- Possible approach: Identify and reduce barriers to cooperation and collaboration within the framework

# Under consideration: student services and institutional support

- Question: Should the student services and institutional support component of the allocation framework be modified to better reflect today's demands for student services?
- Current approach: Based on national regression analysis of IPEDS spending and FYE
- Possible approach: Consider using headcount rather than FYE and different weighting for certain students (Pell eligible, first generation, students of color)

## Under consideration: facilities

- Question: Should the facilities component of the allocation framework be modified to change incentives and incorporate outcome measures?
- Current approach: Square footage, student head count, utility usage, multiple campus factor, residential beds, steam plant adjustment
- Possible approaches: Eliminate components that distribute small dollar amounts, freeze square footage, simplify and consolidate calculation, build in efficiency measures

# Under consideration: revenue buydown calculation

- Question: Should the revenue buy-down calculation be updated to reflect current revenue patterns?
- Current method: Calculation based on the relationship between general fund revenue *except* state appropriation and all general fund *expenses*
- Possible approach: Base the calculation on the relationship between state appropriation and all other general fund *revenues* or the relationship between state appropriation and tuition

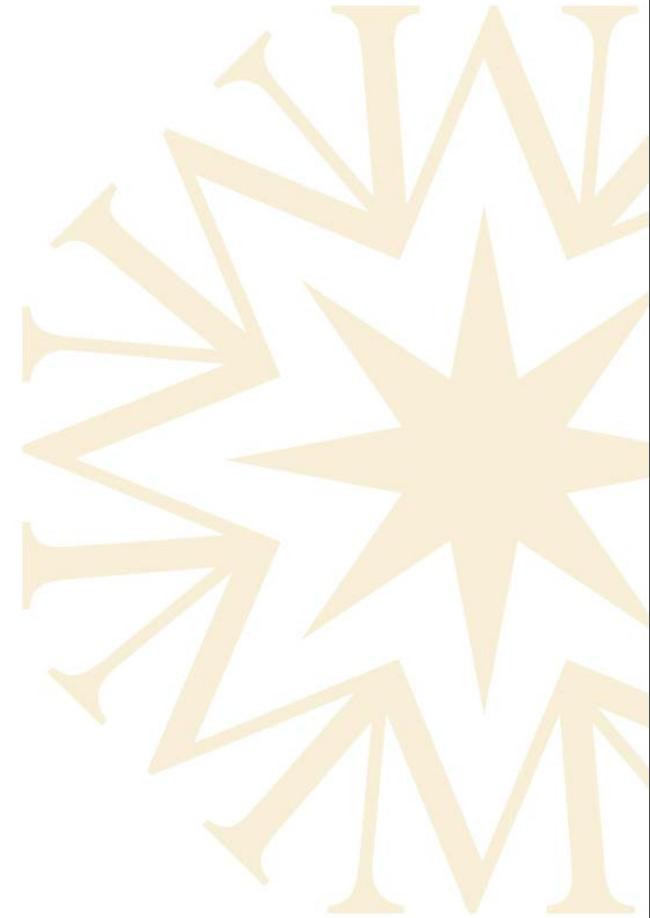
## Under consideration: “smoothing” mechanisms

- Question: Should current mechanisms used to smooth out the volatility of the framework be modified to be more responsive to changing conditions?
- Current method: Two primary mechanisms to add stability and predictability:
  - 50:50: Allocation based half on current year results and half on prior results
  - Three-year average: Used in instruction/academic support and student services/institutional support components
- Possible approach: Replace three-year with two-year average, or eliminate averaging to make the allocation framework more responsive and less stable

# Under consideration: system and regional support services

- Initial discussion on current funding model
- Preliminary conversation about how funding centralized/shared/regionalized services might look within the framework, based upon the System Incentives and Rewards recommendation
- Redesign may be based on long-term fiscal sustainability recommendations

# Questions and discussion



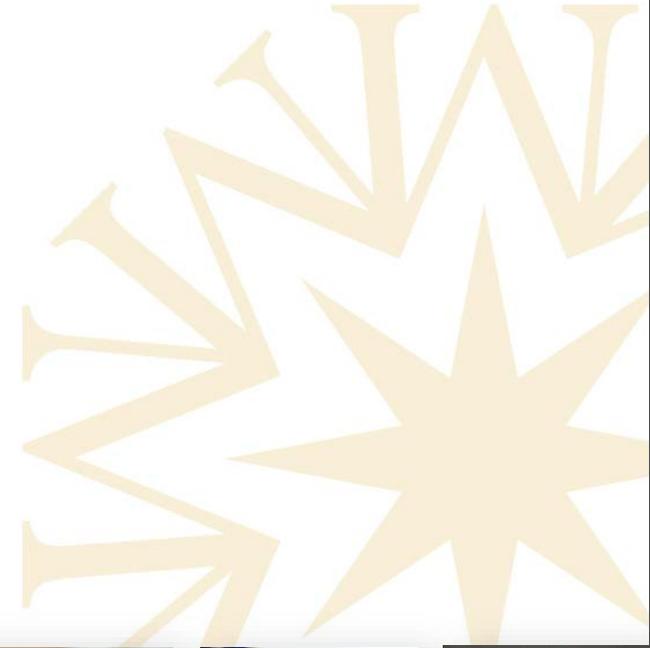


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