

# Q&A on Regents' Performance Based Budget Proposal

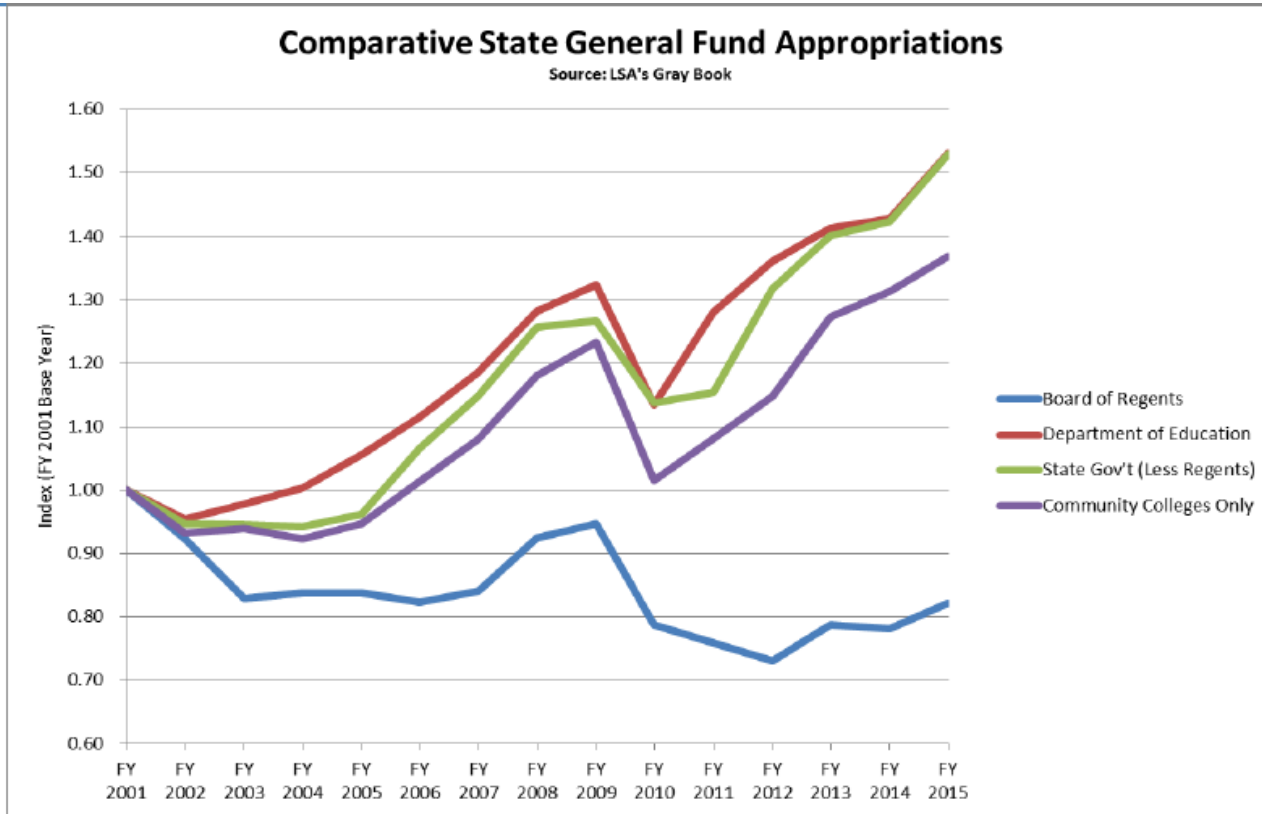
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# Performance Based Funding Budget Implications

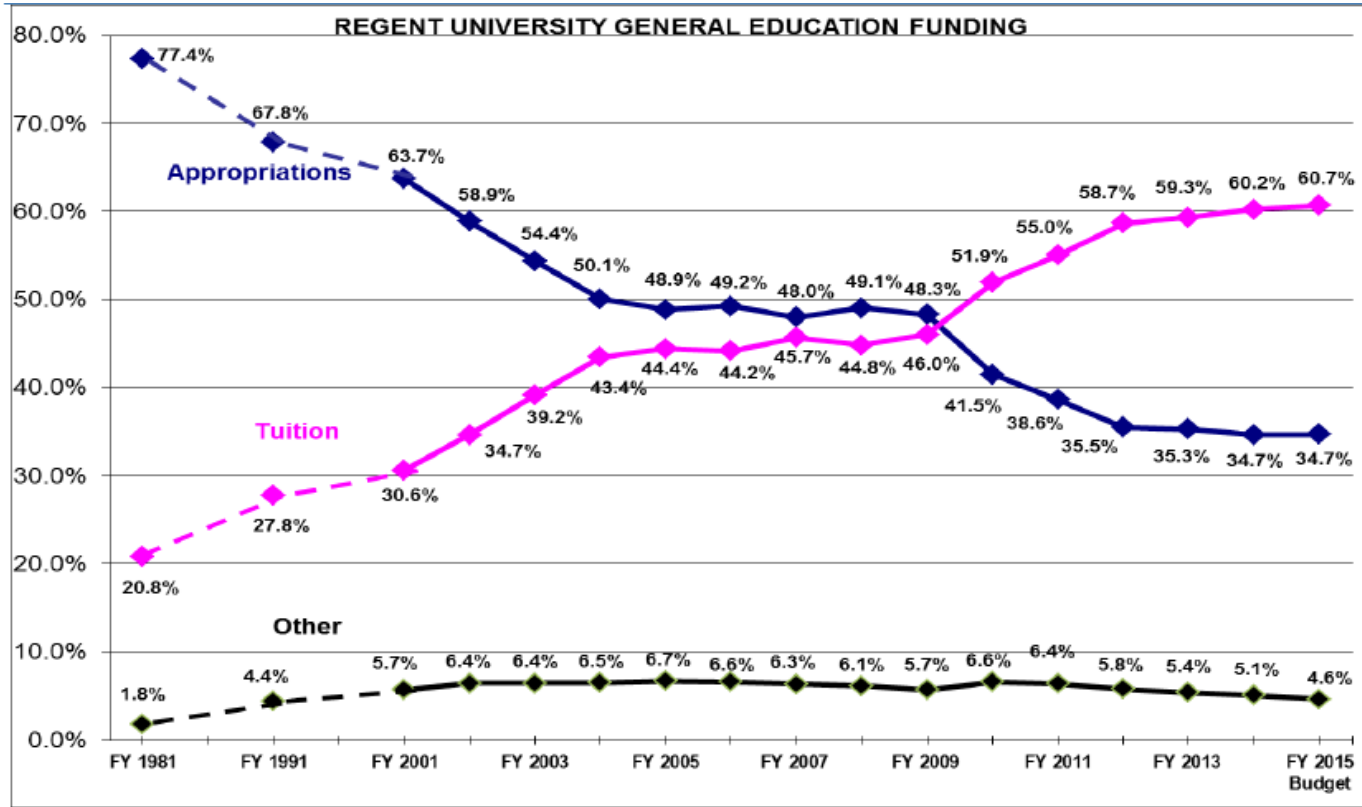
- Recent Funding Levels
  - Impact on Tuition & Programs
- Per student funding comparison
- PBF funding Proposal
- Near term UNI budget
  
- Information taken from senate budget committee report and Board of Regents website
- <http://www.regents.iowa.gov/Meetings/DocketMemos/14Memos/September2014/FY16AppropsRequestBOR.pdf>
- <http://www.uni.edu/senate/current-year/report>

# Performance Based Funding Budget Implications



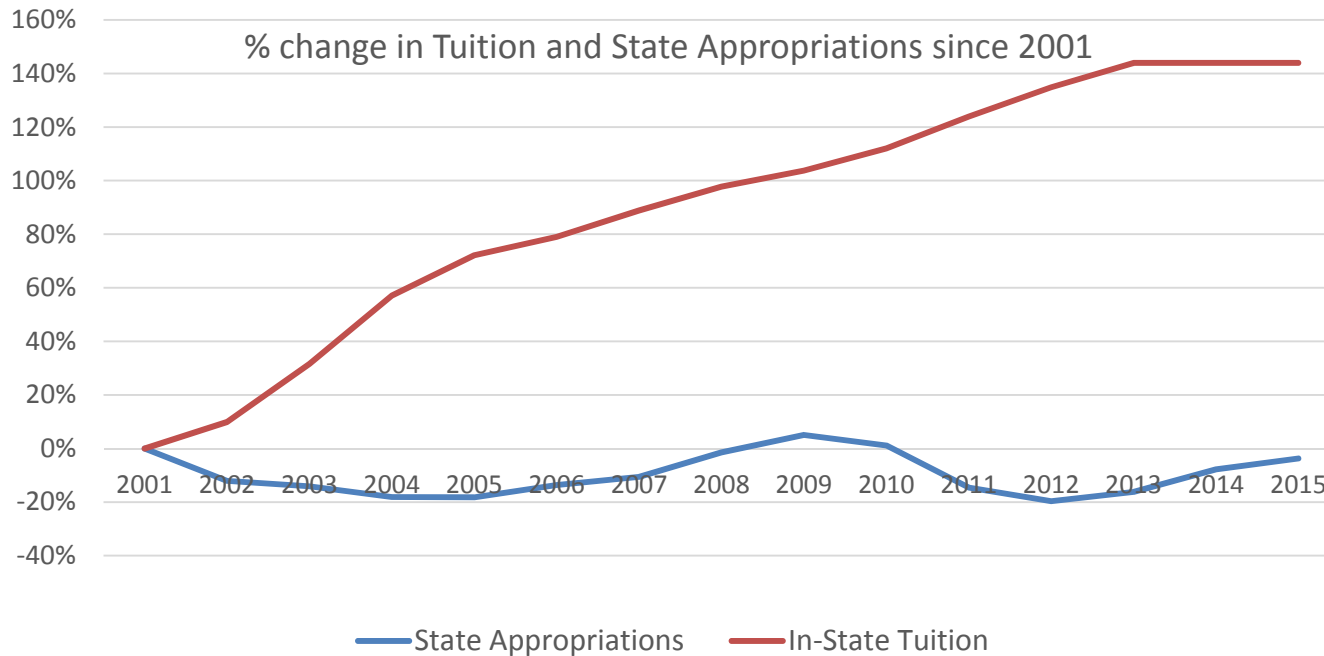
From BOR meeting 9-22

# Tuition vs. Appropriations Combined Regents



From BOR meeting 9-22

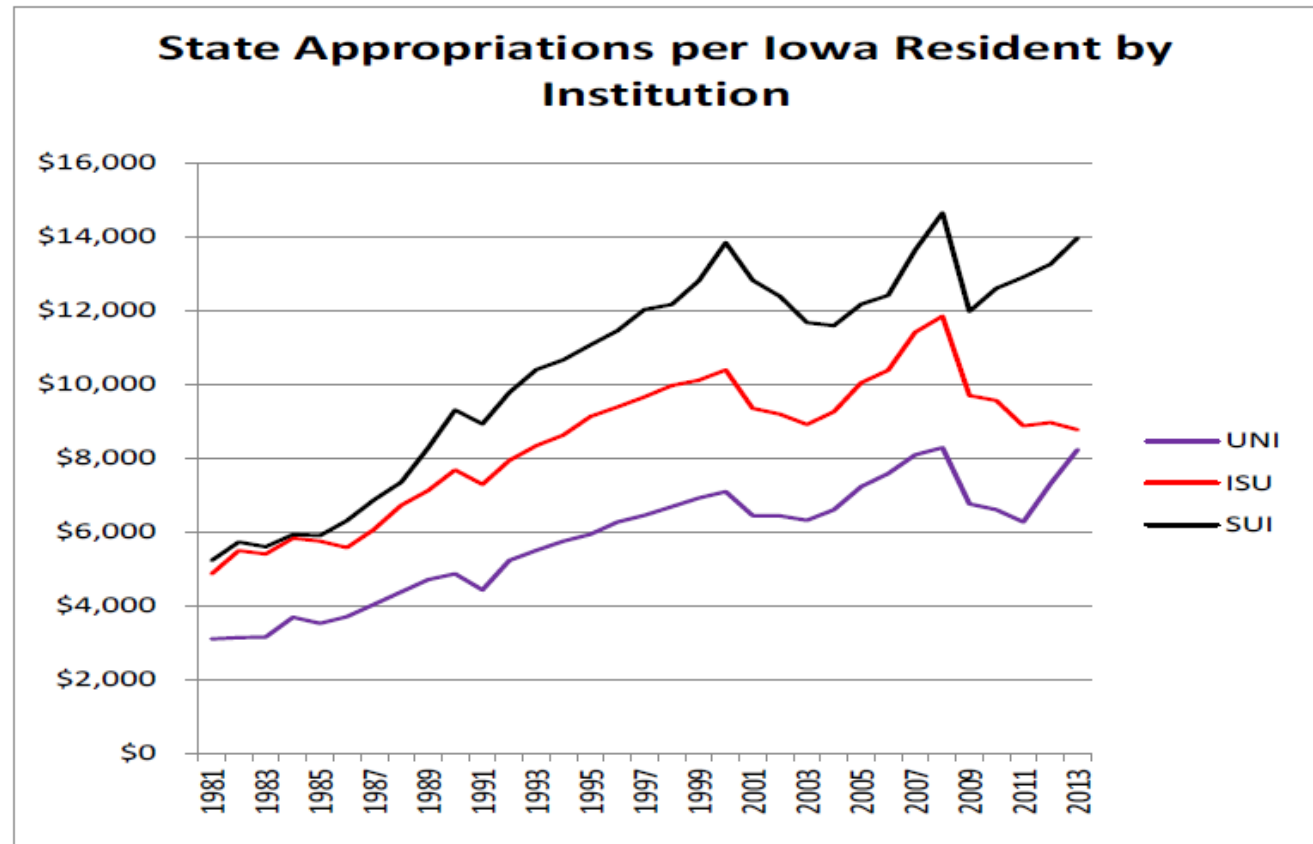
# Appropriations Cuts: Impact on UNI



- Tuition up 150%
- Appropriations same in 2015 as in 2001
- Inflation not accounted for: CPI ~ 35%.
  - In “Real” dollars: Tuition up 200%, State funding down 35% since 2001
- Cuts across board at UNI: Impetus for program and MPLS closures

# Per-Pupil Funding

2013  
UI: \$14k  
ISU: \$9k  
UNI: \$8k



Recent divergence between UI & ISU may be impetus for change  
UNI students have always been funded at a much lower rate  
Taxpayer fairness?

# Current BOR Proposal

- Increase funding 1.75% overall
- Adopt Performance Based funding measures

<u>Percentage of Appropriations</u>			
	SUI	ISU	UNI
<b>Current Distribution</b>	<b>46.09%</b>	<b>36.11%</b>	<b>17.80%</b>
<b>Redistribution</b>	<b><u>36.97%</u></b>	<b><u>40.59%</u></b>	<b><u>22.44%</u></b>
	<b>-9.11%</b>	<b>4.47%</b>	<b>4.64%</b>

From BOR meeting 9-22

- Backfill loss to UI for next year (~\$12M)
  - Increase of roughly \$6M each to UNI and ISU
- Max change limited each year (~\$12M)
  - Roughly \$6M increase to UNI each year, up to \$20M

# Near Term Budget Impact: No Additional Funding

	FY14 Budget	Change 14-15	FY15 Budget *Est. Tuition	Change 15-16	Estimate for 2016
state base	\$83,222,819.00	\$5,953,913.00	\$89,176,732.00	\$0.00	\$89,176,732.00
state 1 time	\$6,000,000.00	(\$2,000,000.00)	\$4,000,000.00	(\$4,000,000.00)	\$0.00
Interest	\$821,000.00	\$0.00	\$821,000.00	\$0.00	\$821,000.00
tuition UR	\$57,550,029.00	\$0.00	\$57,550,029.00	\$0.00	\$57,550,029.00
tuition UNR	\$12,333,414.00	\$308,335.00	\$12,641,749.00	\$0.00	\$12,641,749.00
tuition GR	\$5,414,771.00	\$108,295.00	\$5,523,066.00	\$0.00	\$5,523,066.00
tuition GNR	\$763,422.00	\$19,086.00	\$782,508.00	\$0.00	\$782,508.00
new student	\$0.00	\$392,232.00	\$392,232.00	\$0.00	\$392,232.00
<b>Total Tuition</b>	\$76,061,636.00	\$827,948.00	\$76,889,584.00	\$0.00	\$76,889,584.00
Indirect	\$1,316,649.00	\$0.00	\$1,316,649.00	\$0.00	\$1,316,649.00
Sales	\$483,393.00	\$0.00	\$483,393.00	\$0.00	\$483,393.00
<b>total revenue</b>	\$167,905,497.00	\$4,781,861.00	\$172,687,358.00	\$0.00	\$168,687,358.00
personnel expenses	\$133,836,989.00	\$3,296,802.00	\$137,133,791.00	\$3,296,802.00	\$140,430,593.00
non-personnel expenses	\$12,589,462.00	\$0.00	\$12,589,462.00	\$0.00	\$12,589,462.00
financial aid	\$13,692,016.00	\$9,149.00	\$13,701,165.00	\$9,149.00	\$13,710,314.00
institutional accounts	\$8,041,397.00	\$313,604.00	\$8,355,001.00	\$313,604.00	\$8,668,605.00
Contingency Fund	\$0.00	\$1,329,600.00	\$1,329,600.00	\$0.00	\$1,329,600.00
<b>total expense</b>	\$168,159,864.00	\$4,949,155.00	\$173,109,019.00	\$3,619,555.00	\$176,728,574.00
<b>Net</b>	<b>(\$254,367.00)</b>	<b>(\$167,294.00)</b>	<b>(\$421,661.00)</b>	<b>(\$167,294.00)</b>	<b>(\$8,041,216.00)</b>

Estimates:  
Tuition Rev.  
Salary Increases

Need \$7-9M

Current Operating  
Levels

BOR Proposal  
Increase to UNI  
\$1.5M  
\$6M PBF

Maintain Budget  
Underfunded  
But not critical



# Budget Impact Summary

- UNI historically underfunded on per-student basis
- State cuts over past 15 years have had dramatic impact
  - Increase of tuition by 200% in real dollars
  - Cutbacks to academics and other areas at UNI
- UNI facing critical funding issue: ~\$8M
  - End of “one time” funding by state
- Board of Regents proposed fix: Performance Based Funding
- Would keep UNI “solvent” next year, increase operating budget thereafter
- Questions:
  - Impact on inter-university relations
    - About 80% based on in state student population, competition?
  - Will state decide tuition freeze to continue without additional funding?
  - Will state decide to make 4 year universities a priority again?

# Performance-Based Revenue Model

## Approved September 2014

- **60%** enrollment (resident FTE in undergraduate, graduate and doctoral/professional programs)
- **15%** progress and attainment (5% based on achieving credit hour thresholds 24-48-72; 10% on number of graduates)
- **10%** access (low –income students, minority students, transfer students from Iowa Community Colleges and Veterans)
- **5%** for a proportional weighting of all graduate and professional students based on FTE enrollment
- **5%** for sponsored research (based on most current year)
- **5%** based on Regent-selected metrics (customized metric for each university)

# Performance-Based Funding Definitions

- **Resident FTE**: Residency will be established at time of admission. Same definition as the Enrollment Report to the Board of Regents. Categories: Undergraduate, Master's, Doctoral, and Professional.
  - Time period: 3-year rolling average using the most current available Fall enrollment report
- **Graduate & Professional Students**: – This will be derived from the date provided in the Resident FTE enrollment report, calculated by credit hour FTE.
  - Time period: 3-year rolling average using the most current available Fall enrollment report
- **Student Progress**: This measures the change in credit hours from the Fall enrollment report of one year to the next. Measured are the number of Resident full-time and part-time undergraduate students whose cumulative credits earned meet or exceed threshold benchmarks of 24, 48, or 72 student credit hours. Includes AP, CLEP, transfer.
  - Time period: most recent year date available (For FY16 appropriations will use Fall 2013 data)
- **Number of Graduates**: Number of students who graduate. Table 17b in the Enrollment Tables to be used and this is an unduplicated count.
  - Time period: most recent year date available (For FY16 appropriations will use Fall 2013 data)

# Performance-Based Funding Definitions

- **Access:**
  - Financial need: Number of FT students with a calculated need based on Expected Family Contribution (EFC) and part-time Pell Grant recipients (no duplication).
  - Minority students
  - Transfer students—number of undergrads transfer from Iowa community colleges.
  - Veterans—receiving benefits and those self-identified at time of admission.
  - Time period: 3-year rolling average using the most current available Fall enrollment report numbers.
- **Sponsored Research:** from university Audited Financial Statements—“all expenses for activities specifically organized to produce research” whether from external grant or separately budgeted internal programs.
  - Time period: most recent year data available.

<b>OUTCOMES</b>	<b>SUI</b>	<b>ISU</b>	<b>UNI</b>	<b>TOTAL</b>
<b>FY 2016 Current Distribution of General University Appropriations</b>	<b>\$ 234,964,158</b>	<b>\$ 184,112,359</b>	<b>\$ 90,737,325</b>	<b>\$ 509,813,842</b>
Redistribution of Funds based on Task Force Metrics				
Enrollment	\$ 104,150,723	\$ 128,781,077	\$ 72,956,504	\$ 305,888,305
Graduate & Professional Students	\$ 15,063,237	\$ 6,516,142	\$ 3,911,313	\$ 25,490,692
Student Progress	\$ 8,038,219	\$ 11,066,485	\$ 6,385,987	\$ 25,490,692
Number of Graduates	\$ 18,940,798	\$ 19,241,831	\$ 12,798,755	\$ 50,981,384
Access	\$ 16,845,287	\$ 21,686,469	\$ 12,449,629	\$ 50,981,384
Sponsored Research	\$ 16,038,188	\$ 9,277,346	\$ 175,159	\$ 25,490,692
Customized Metrics	\$ 9,425,081	\$ 10,345,754	\$ 5,719,856	\$ 25,490,692
<b>Redistributed Appropriations</b>	<b>\$ 188,501,533</b>	<b>\$ 206,915,104</b>	<b>\$ 114,397,205</b>	<b>\$ 509,813,842</b>
Variance	\$ (46,462,625)	\$ 22,802,745	\$ 23,659,880	\$0
		49.078%	50.922%	\$0

<u>Percentage of Appropriations</u>				
Current	46.0882%	36.1136%	17.7981%	100.00%
Redistribution	36.9746%	40.5864%	22.4390%	100.00%
	-9.1136%	4.4728%	4.6409%	0.0%

#### **IMPLEMENTATION**

FY 2013 GEF Actual Revenues	\$ 648,594,917
Maximum Annual Distribution	2%
FY 2016 Distribution	\$ 12,971,898

#### **Reallocation**

	<b>SUI</b>	<b>ISU</b>	<b>UNI</b>	
	\$ -	\$ 6,366,298	\$ 6,605,600	\$ 12,971,898

# Performance Based Funding

The Board of Regents is requesting supplemental funding of \$12,971,898 for FY16 to implement the Performance-based Funding (PBF) model distributed as follows:

- \$6,605,600 (50.9%) to University of Northern Iowa
- \$6,366,298 (49.1%) to Iowa State University
- The reallocation is capped annually at 2% of the University of Iowa's general education revenues to minimize the impact.  
**Current projection is for nearly \$20 million reallocated to UNI over 3 years**

# State Appropriations – FY 2006-2016



# State Appropriation Comparisons

State Appropriations Per Iowa Resident	FY 2012- 2013 \$	FY 2012- 2013 %	PBF
SUI	\$14,469	46%	37%
ISU	\$9,155	36%	41%
UNI	\$8,758	18%	22%



# What next?

- This proposal has gone to the legislature as an appropriation request.
- The legislature appropriates a dollar amount to each institution. Could appropriate as Regents' requested, or could do something else.
- Considerable political difficulties ahead for the proposal.

# Be heard: Legislative contacts

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To email your state senator or representative: <https://www.legis.iowa.gov/>

Iowa House switchboard: 515-281-3221

Iowa Senate switchboard: 515-281-3371

To find legislative updates regarding UNI: <http://www.uni.edu/govrel/legislative-update>

# PERFORMANCE BASED FUNDING:

BUDGET SOLUTION OR MISSION  
QUAGMIRE?

UNI'S BUDGET PROBLEMS ARE THE PRODUCT  
OF

REVENUE ISSUES AND SPENDING PRIORITIES

The revenue issues are well known. The state legislature has failed to provide adequate revenue for our university.

HOWEVER, SPENDING PRIORITIES RECEIVE ALMOST NO ATTENTION

THREE PRIORITIES REQUIRE SCRUINTY:  
**ATHLETICS, ADMINISTRATION, AND DEBT**

## ATHLETICS:

- From 2003 - 2013 UNI diverted \$52 million from the General Education Fund to cover shortfalls in Athletics.
- In 2003 \$4.15 million was diverted. In 2013 \$4.19 was diverted.

## ADMINISTRATION

From 2003 – 2012 the number of UNI's full time faculty **declined** from 673 to 602.

During that same period, the number of Executive/Managerial, Professional and Scientific staff **increased** from 612 to 687

## DEBT

- From 2003 to 2013 UNI paid \$248 million for debt service.
- In 2013 UNI's debt service equaled \$23.7 million.



# Debt Service Percentage

Fiscal Year	Univ. of Iowa	Iowa State Univ.	Univ. of Northern Iowa
FY2003	2.27%	3.04%	8.17%
FY2004	1.83%	4.13%	11.17%
FY2005	6.78%	3.79%	9.61%
FY2006	1.98%	3.61%	12.60%
FY2007	2.23%	3.60%	8.86%
FY2008	2.21%	3.63%	8.83%
FY2009	2.21%	3.56%	9.11%
FY2010	2.13%	3.27%	9.05%
FY2011	2.44%	3.48%	9.43%
FY2012	2.20%	3.22%	9.29%
FY2013	2.82%	3.34%	9.09%

# Debt Burden Percentage

This ratio measures the University's debt service burden as a percentage of total university expenses. The target for this ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives. (University of Virginia Debt Policy, 2006)

ANNUAL DEBT SERVICE

TOTAL OPERATING EXPENSES

**Target: < 5.0%**

# Debt Service Coverage Ratio

Fiscal Year	University of Iowa	Iowa State University	University of Northern Iowa
FY2003	XXXXXXX	XXXXXX	0.35
FY2004	XXXXXXX	1.43	0.12
FY2005	XXXXXXX	2.45	0.39
FY2006	XXXXXXX	3	0.22
FY2007	XXXXXXX	3.22	1.04
FY2008	XXXXXXX	2.21	0.86
FY2009	3.48	1.49	0.41
FY2010	6.5	3.72	1.28
FY2011	7.1	4.2	0.54
FY2012	5.09	3.48	0.16
FY2013	4.16	3.44	0.06

This ratio measures the University's ability to cover debt service requirements with revenues available for operations. The target established is intended to ensure that operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income.

This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

**OPERATING GAIN/(LOSS) + NON-OPERATING REVENUE  
+ DEPRECIATION**

**ANNUAL DEBT SERVICE**

**Target: > 3**

# PERFORMANCE-BASED FUNDING RESEARCH

McLendon, Michael K. James C. Hearn (November-December 2013). “The Resurgent Interest in Performance-Based Funding for Higher Education” *Academe*, American Association of University Professors. November-December 2013. Washington, D.C..

PBF tends to be a product of broader ideological contests rather than concerns for improvement in higher education.

D'Amico, Mark M., Janice N. Friedel, Stephen G. Katsina, Zoe M. Thornton (September 2013). *Performance-Based Funding: The National Landscape*. Education Policy Center, University of Alabama.

No compelling evidence of the link between PBF and improved student outcomes at this time

CCRC Policy Brief (February 2014). *Performance Funding: Impact, Obstacles, and Unintended Impacts*. Community College Research Center, Teachers College Columbia University.

Performance funding can have troublesome unintended impacts, including grade inflation and a lowering of academic standards.

Include colleges in the design of performance based funding standards.

Performance funding should be insulated from the state revenue cycle.

Maio, Kysie (August 2012). *Performance-Based Funding of Higher Education: A Detailed Look at Best Practices in Six States*. Center for American Progress.

Actively involve stakeholders in funding model design

Recognize individualized differences (among schools) with separate funding formulas or differently weighted metrics



## Common points include:

1. There is almost no extant research that indicates current PBF models are effective in achieving their stated goals;
2. Where PBF is implemented there should be a "learning year" during which no money is linked to outcomes;
3. PBF models should be designed to fit the specific missions of separate universities; and
4. PBF should be linked explicitly to statewide higher education goals. The analysis out of the University of Alabama states that **PBF should not be used as a remedy for problems related to state appropriations.**

# CONCLUSION

UNI IS FACING SIGNIFICANT BUDGET PROBLEMS  
THAT DEMAND IMMEDIATE ACTION

PBF IS ONE POSSIBLE RESOLUTION

IT WILL PLACE NEW BURDENS ON FACULTY FOR  
UNI REVENUE.

IT WILL REQUIRE OUR FACULTY SENATES TO BE  
PRO-ACTIVE GUARDIANS OF THE QUALITY OF  
OUR ACADEMIC PROGRAMS.

A MORE PARSIMONIOUS, LESS CONFLICTUAL SOLUTION:

AGREEMENT BY THE IBOR AND THE LEGISLATURE TO PROVIDE A PERMENANT BASE ALLOCATION TO UNI THAT EQUATES TO 22% OF THE STATE ALLOCATION FOR IOWA'S UNIVERSITIES.

THE REMAINING 78% WOULD BE ALLOCATED TO UI AND ISU.