



Performance Allocation Model Summary

History of the Formula

- In the mid-1990s, the Board of Trustees adopted an allocation model that used enrollment as the primary driver and fixed the percentage of the appropriation each university received based on the percentage of the overall enrollment that each university had at that time. The percentages were not changed as enrollment changed; therefore, this formula is often referred to as the “Constant Percentage Formula.”
- In 2004, the Board adopted a funding model based on instructional costs and the quantity and type of student credit hours produced. It included elements for operation and maintenance, deferred maintenance, a small school supplement and Board initiatives to encourage and reward performance measures of individual institutions. However, due to the impact of Hurricane Katrina, the recession and other factors, the Board did not implement the formula.
- In 2009, the Board of Trustees voted to phase in the new formula over a six-year period to allow the institutions to make necessary adjustments and to develop more effective recruitment strategies.
- However, in the 2009 Legislative Session, the Legislature blocked implementation of the new formula by inserting language in the FY 2010 appropriation bill requiring that the appropriation to be distributed in the same way it had the previous year, which meant the Constant Percentage Formula was used. The language remained in the appropriation bills each year until the 2013 session.
- In the 2011 Legislative Session, the Legislature passed HB 875, which directed the Education Achievement Council to “research and develop a new funding mechanism for public community colleges and state institutions of higher learning based upon productivity goals and accomplishments as well as enrollment.” In response, the EAC took a two-track approach, asking the IHL Board of Trustees and the Mississippi Community College Board to study funding models based on productivity measures.
- In the 2013 Legislative Session, the restrictive language was removed from the appropriations bill (SB 2851-IHL General Support for FY 2014) for the first time since 2009, paving the way for a new allocation model to be implemented.

- SB 2851 provides the funding that will be allocated the universities through the model. None of the other IHL Appropriations Bills (5 Ag bills, 1 Financial Aid, 1 UMMC, 1 Subsidiary Programs) will be impacted by the new formula. These bills specify how the appropriations will be allocated.
- During the time the Constant Percentage Formula has been used, state support as a percentage of overall university revenue has declined dramatically. In FY 2000, 56 percent of the universities' budgets was comprised of state appropriations and 32 percent was comprised of tuition dollars. By FY 2012, those percentages were reversed, with 57 percent of the budget comprised of tuition dollars and 37 percent coming from state appropriations.

Development of the Model

- The Board of Trustees issued a request for proposals to seek specific alternatives for recommended changes, additions, modifications and/or replacement of the current IHL funding mechanism, including best practices relative to funding formulas from other states and/or systems.
- The Board of Trustees contracted with the National Center for Higher Education Management Systems (NCHEMS) to develop a new funding formula. NCEHMS is a private nonprofit organization whose mission is to improve strategic decision making in higher education for states and institutions in the United States and abroad. Since its founding in 1969, NCHEMS has been widely recognized for developing practical solutions to the strategic issues facing leaders of higher education institutions and agencies.
- Development of the IHL model was led by NCHEMS President Dennis Jones. Last fall, he met with leaders on each university campus, legislators, and members of the Board of Trustees to discuss their aspirations for the new allocation model and their concerns about implementing a new funding mechanism. This important feedback was used in the development of the model.
- All the data used in the model came directly from the campuses and was vetted through a rigorous auditing process. IHL internal auditors audited the credit hours on each campus. In addition, MSU, UM and USM checked each other's data. ASU, DSU, JSU, MUW, and MVSU checked each other's data. The IHL Cabinet also vetted the data.

Components of the Allocation Model

- **Operational Support**
 - Each university needs a base amount for operational support. The amount needed varies from university to university based on factors such as enrollment, number of on-campus students, number of buildings, acreage, number of off-site facilities and infrastructure.
 - The amount allocated to each university for operational support was determined by three-year averages in three categories of spending:
 - Institutional Support
 - Operations & Maintenance

- Student Services
 - The percentage of the amount spent in these categories varies among the universities based on size, since smaller universities do not have the benefit of the economy of scale.
- **Weights for completed credit hour production**
 - The formula measures the number of credit hours completed at each university.
 - The courses are weighted based on the cost of providing the courses. A number of factors, including student/faculty ratios, facilities required, equipment needed and consumable goods used, are included in the weighting. NCHEMS used three national cost studies to develop recommended weights. The CFOs and CAOs from each campus then reviewed the recommendations and made changes based on actual costs at Mississippi Public Universities.
 - After the Operational Support dollars are separated from the rest of the allocable dollars, 90% of the allocation is based on completed credit hour production.
- **Funding for Board Priorities**
 - The remaining 10% of the allocation is based on progress made in areas deemed as priorities by the Board, including:
 - Attainment Outcomes
 - Degrees Awarded (Associate, Bachelor, Graduate, Professional)
 - At-Risk Students
 - Pell Recipient
 - ACT score of less than 19
 - 25 Years of Age or Older
 - Priority Fields
 - STEM (Science, Engineering, Technology and Math)
 - Health
 - Education
 - Intermediate Outcomes
 - Students who have less than 19 ACT score who successfully complete first college English or math that is not a remedial course
 - Number of students who cross 30 credit hours threshold
 - Number of students who cross 60 credit hours threshold
 - Research Activity
 - Includes research expenditures, technology transfer/entrepreneurship data and patents/licenses
 - Only applies to four research universities
 - Public K-12 Education
 - We currently do not have the appropriate data to measure progress made in this area; however, this data point will be included in the model when the information is available.
 - Productivity Outcomes
 - Number of undergraduate degrees awarded per 100 FTE

- Number of graduate degrees awarded per 100 FTE
- Number of degrees award per \$100,00 in revenue

- **Non-resident weighting**
 - Credit hours taken by non-resident students do not count fully toward the number of credit hours completed as do the credit hours taken by resident students.
 - A credit hour completed by a resident student counts as 1.0 credit hours, whereas a credit hour completed by a non-resident student counts as .85 credit hours.

- **Hold-harmless provision**
 - All universities have been underfunded, so it was important to incorporate a stop-loss provision into the formula. The stop-loss provision ensures that no university will sustain a cut as the transition is made from the Constant Percentage Formula to the Performance Allocation Model.
 - The Legislature provided additional monies for the hold harmless provision, the PERS increase and some repair and renovation.
 - *All universities will receive level funding, plus the cost of PERS, for FY 2014.*

Review of Allocation Model

- After the original allocation model was developed, it was thoroughly reviewed by Presidents, CFOs, CAOs and members of the Board of Trustees.

Goals of the Allocation Model

- The goals of the allocation model are to:
 - Allocate the funds made available by the state in an equitable manner among all eight institutions
 - Drive increases in post-secondary educational attainment for the state