1 State of Arkansas

2 85th General Assembly

A Bill

3 Regular Session, 2005   SENATE BILL   1082

4

5 By: Senator Bisbee

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8 ## For An Act To Be Entitled

9   AN ACT TO CREATE A FUNDING FORMULA FOR

10   UNIVERSITIES; AND FOR OTHER PURPOSES.

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12 ## Subtitle

13   AN ACT TO CREATE A FUNDING FORMULA FOR

14   UNIVERSITIES.

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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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19   SECTION 1. (a)(1) The funding formula model for universities shall

20 serve as a tool for implementing the broad goals of the State of Arkansas and

21 the Arkansas Higher Education Coordinating Board.

22   (2) It shall ensure adequate, equitable, and stable funding and

23 be based on reliable and uniform data.

24   (3) It shall be simple to understand, sensitive to universities'

25 differing missions, and responsive to changes within the universities, and

26 shall make provisions for special-purpose units.

27   (b)(1) The model shall determine the funding needs of universities

28 using six (6) student-semester-credit-hour-based expenditure functions, one

29 (1) square-footage-based function for facilities, and two (2) or more

30 special-mission functions.

31   (2) The model shall also provide for economy or diseconomy of

32 scale for universities with fewer than three thousand five hundred (3,500)

33 full-time equivalent student enrollment.

34   (c)(1) The six (6) student-semester-credit-hour-based expenditure

35 functions shall be:

36   (A) Teaching salaries;

1   (B)   Other instructional costs;

2   (C)   Library costs;

3   (D)   General institutional support;

4   (E)   Research; and

5   (F)   Public service.

6   (2) The square-footage-based expenditure function shall be for

7 facilities maintenance and operations.

8   (3) The special missions to receive consideration in the funding

9 formula model shall be universities with a traditional minority mission or a

10 land grant mission, or both.

11   (d)(1) TEACHING SALARIES. To determine the teaching salary needs of

12 the universities, the student-semester-credit-hour component of each

13 university shall be summarized into four (4) discipline cost categories.

14   (A) Cost Category I shall include the following

15 instructional discipline classifications:

16   (i) English;

17   (ii) General studies;

18   (iii) Mathematics;

19   (iv) Interdisciplinary studies;

20   (v) Health-related knowledge;

21   (vi) Interpersonal skills;

22   (vii) Leisure and recreational activities;

23   (viii) Personal awareness;

24   (ix) Philosophy;

25   (x) Psychology;

26   (xi) Public administration; and

27   (xii) Social sciences;

28   (B) Cost category II shall include:

29   (i) Ethnic and cultural studies;

30   (ii) Marketing;

31   (iii) Communications;

32   (iv) Education;

33   (v) Languages;

34   (vi) Home economics,;

35   (vii) Law;

36   (viii) Biological sciences;

1	(ix) Parks and recreation;
2	(x) Basic skills;
3	(xi) Construction trades;
4	(xii) Mechanics;
5	(xiii) Precisions;
6	(xiv) Production;
7	(xv) Transportation; and
8	(xvi) Business management;
9	(C) Cost Category III shall include:
10	(i) Agriculture;
11	(ii) Conservation;
12	(iii) Architecture;
13	(iv) Communication technologies;
14	(v) Computer and information sciences;
15	(vi) Library science;
16	(vii) Physical sciences;
17	(viii) Science technology;
18	(ix) Visual and performing arts; and
19	(x) Health professions; and
20	(D) Cost Category IV shall include:
21	(i) Engineering; and
22	(ii) Engineering-related technology.

23 (2) An university's annualized student semester credit hours
24 component in each cost category shall be summarized into three (3)
25 instructional levels: undergraduate, graduate, and doctoral, to produce a
26 four-by-three (4x3) matrix or table containing the university's student
27 semester credit hours in each cost category and level.
28 (3)(A) Teaching salary computations shall be determined by
29 dividing each of the twelve (12) cells of the table by the number of student
30 semester credit hours that have been determined by research to be needed to
31 produce a full-time equivalent faculty member.
32 (B) Those student semester credit hour standards shall be:
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Cost Category	Undergraduate	Graduate	Doctoral
I	645	170	130
II	480	250	145

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1	III	365	160	120
2	IV	230	102	70

3   (4)(A) An university's student semester credit hours in each

4 cost category shall be divided by the applicable standards in subdivision

5 (d)(3)(B) to determine the number of full-time equivalent faculty needed at

6 each of the three (3) instructional levels.

7   (B)(i) The number of faculty at each instructional level

8 shall be multiplied by an average Southern Regional Education Board faculty

9 salary for an university at that level to ensure that every university

10 receives the same funds for the same discipline and level of student semester

11 credit hours.

12   (ii) The sum of the teaching salaries at the three

13 (3) instructional levels shall constitute the teaching salaries need of the

14 university.

15   (e) OTHER INSTRUCTIONAL COSTS. Other instructional costs of the

16 university shall be calculated as an amount equal to forty-five percent (45%)

17 of teaching salaries of the university.

18   (f) LIBRARY COSTS. Library costs shall be calculated as an amount

19 equal to eleven percent (11%) of the sum of the teaching salaries and other

20 instructional costs of the university.

21   (g) GENERAL INSTITUTIONAL SUPPORT. General institutional support of

22 the university shall be calculated as an amount equal to fifty-four percent

23 (54%) of the sum of teaching salaries and other instructional costs of the

24 university.

25   (h) RESEARCH. Research funding of the university shall be calculated

26 as an amount equal to five percent (5%) of the undergraduate teaching

27 salaries need plus twenty-five percent (25%) of graduate teaching salaries

28 plus fifty percent (50%) of doctoral teaching salaries.

29   (i) PUBLIC SERVICE. Public service funding of the university shall be

30 equal to an amount three percent (3%) of teaching salaries of the university.

31   (j)(1) FACILITIES MAINTENANCE AND OPERATIONS. Facilities maintenance

32 and operations funding of the university shall be based upon university's

33 university's needed square footage as determined by the Five-Factor Academic

34 Space Prediction Model that considers the discipline and level of the student

35 semester credit hours of each university.

36   (2) For each year of a biennium, the Arkansas Higher Education

1   Coordinating Board staff shall determine a funding rate per square foot based

2   upon the most recent cost experiences of the universities.

3   (3) The rate calculated in subdivision (j)(2) of this section

4   shall be multiplied by the university's actual square footage that the space

5   prediction model has determined the university needs.

6   (4) Excess square footage above the space prediction model's

7   established need, shall be funded at one-half (1/2) that rate.

8   (5) Universities with less square footage than the space

9   prediction model determined need will receive one-half (1/2) the established

10   rate for the additional square footage needed.

11   (k)(1) SPECIAL MISSIONS. A federally designated land grant university

12   shall receive special mission funding in the amount of ten percent (10%) of

13   teaching salaries of the university in recognition of its federally mandated

14   research and public service mission.

15   (2) The universities with a traditional minority mission shall

16   receive an additional amount equal to ten percent (10%) of all student-

17   semester-credit-hours or full-time-equivalent-based portions of the funding

18   formula.

19   (l)(1) ECONOMY/DISECONOMY OF SCALE. The funding formula shall include

20   an economy/diseconomy of scale provision for universities with fewer than

21   three thousand five hundred (3,500) full-time equivalent student enrollment.

22   (2) The Arkansas Higher Education Coordinating Board staff in

23   consultation with the presidents and chancellors of the universities shall

24   determine the method of calculation.

25   (3) For the 2005-07 biennium, that method is:

26   FTEs Below 3,500   FTE

27   1 - 150 $1,200

28   Next 150 $1,000

29   Next 200 $ 800

30   Next 250 $ 600

31   Next 250 $ 300

32   Next 200 $ 200

33   (m)(1) FUNDING FORMULA MODEL. The total expenditure needs of each

34   university shall be determined by adding all of the funding needs determined

35   under subsections (d) through (l).

36   (2) Appropriation needs for an university shall be determined by

1   subtracting from the total expenditure needs the tuition and fee revenues,

2   calculated as the sum of one hundred thirty dollars ($130) for each

3   undergraduate student semester credit hour, one hundred ninety dollars ($190)

4   for each graduate student semester credit hour, and two hundred thirty

5   dollars ($230) for each doctoral student semester credit hour.

6   (3)(A) This funding formula model is designed to produce

7   educational and general operating funds for universities of higher education

8   that generate student semester credit hours.

9   (B) This model does not determine the funding needs of

10   special units, such as the medical school, division of agriculture, and

11   system offices.

12   (4) This model does not provide for capital or personal services

13   recommendations.

14   (5) This model does not provide funds for institutional

15   scholarships, debt service, or fund transfers.

16   (6)(A) The revenue domain for the funding formula model shall

17   include only state appropriations and student tuition and fee income, and

18   does not include private contributions and other discretionary funds.

19   (B) The revenue domain shall exclude funding at the

20   universities from all sources other than from state appropriations and

21   student tuition, including, but not limited to, the federal government,

22   private sources, and self-supporting activities.

23   (C) Since the general definition specifies operating

24   funds, the funding formula model also does not consider the appropriation and

25   allocation of capital funds.

26   (n)(1) The funding formula model shall only be utilized to allocate

27   funds to the universities.

28   (2) This funding formula model shall not be used to prescribe

29   the allocation of those funds within the universities.

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