



RESOLUTION

concerning

TUITION AND GENERAL FUND DISTRIBUTION
METHODOLOGY

June 9, 2000

WHEREAS, Pursuant to the provisions of Section 10a-89(a) of the Connecticut general statutes, the board of trustees shall "...Subject to state-wide policy and guidelines established by the Board of Governors of Higher Education,...(1) Make rules for the government of the Connecticut State University system and shall determine the general policies of the university system, including those concerning the admission of students and the expenditure of the funds of institutions under its jurisdiction within the amounts available;..." Further, under the provisions of Section 10a-99(b), "...the board of trustees shall establish an equitable policy for allocation of appropriations from general revenues of the state, fringe benefits transferred from the State Comptroller and tuition revenue deposited in the Connecticut State University System Operating fund...", and

WHEREAS, In FY1994-95, the Board of Trustees, pursuant to its statutory authority, reviewed the then-existing distribution methodology for tuition and general fund dollars, and adopted new formulas for distribution, and

WHEREAS, Issues concerning equity and stability of the current models have been raised by the universities, and

WHEREAS, The consulting firm of MGT of America, Inc. was employed to reexamine the existing CSU models in light of other types of models used by other university systems across the nation, and has highlighted several factors which might reasonably be considered in allocating revenues, and

WHEREAS, The proposed distribution model addresses perceived inequities within the existing formulas, simplifies the entire distribution process, provides funding for Board of Trustees priorities, and provides funds to support Systemwide and System Office activities, and

RESOLVED, That tuition and the general fund appropriation be distributed on the basis of the principles described below:

■ General Fund

- Each institution will be provided with a base cost block grant of \$2.4 million plus fringe to cover certain fixed costs of operations (institutional support and facilities support).
- Each institution will be provided with a variable cost block grant based on the sum of the prior year's ending full-time-equivalent of full-time students enrolled. These enrollment numbers will be based on the average of fall and spring third-week enrollment figures.
- A portion of the state appropriation will be retained for system office operations, related activities, and other priorities of the Board of Trustees. These amounts will be established annually as a part of the Spending Plan process, and assessed equally across the four universities. The System Office will internally exchange General Fund dollars for operating fund dollars in order to ensure that all General Fund current services dollars are spent on Personal Services.
- Tuition and Extension Fee Freeze amounts received as state appropriation will not be included in the General Fund block grant distributed to the universities. Instead, these funds will be distributed as follows:
 - Tuition Fee Freeze dollars will be distributed proportionally based on the prior year ending tuition net of waivers.
 - Extension Fee Freeze dollars will be distributed proportionally based on the prior years ending part-time credit hours per university.

■ Tuition

- Each institution will retain all tuition funds collected from its students.
- Each institution will be assessed a portion of its tuition receipts to support priorities of the Board of Trustees. The Trustees' priority portion will be a fixed amount of \$1,600,000 per year; \$600,000 will be assessed proportionally based on prior year ending tuition net of waivers; \$1,000,000 will be assessed equally across the four universities. The Board of Trustees may assess the universities additional amounts for other Board priorities as they see fit.
- Each institution must comply with policies and statutory requirements of CSU grants.

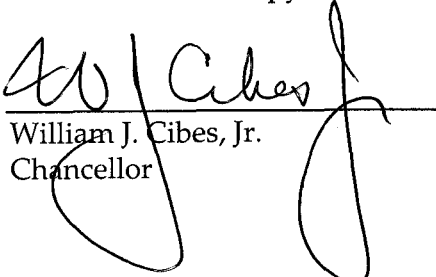
and be it further

RESOLVED, That supplemental funding from Systemwide reserves will be provided to those universities that will be receiving less General Fund dollars than they would have received under the prior methodology, of \$375,000 each in FY2000-01 and \$125,000 in FY2001-02, to enable the universities to take the strategic actions necessary to address the decreased funding, and be it further

RESOLVED, That the new distribution methodology be implemented effective as of July 1, 2000, and be it further

RESOLVED, That BR#95-51, BR#95-53, BR#96-68, and BR#99-32 be rescinded effective July 1, 2000.

A Certified True Copy:



William J. Cibes, Jr.
Chancellor

ITEM

Tuition and General Fund Distribution Methodology

BACKGROUND

Prior to 1995, funds were distributed to the universities according to a historical formula established several years previously. In FY1994-95, the Board of Trustees, pursuant to its statutory authority, reviewed the then-existing distribution methodology for tuition and general fund dollars, and adopted new formulas for distribution. BR #95-51 established the distribution methodology for tuition and general funds. BR #95-53 established the distribution methodology for CSU Grants. This new distribution methodology was based on full-time headcount enrollment for general fund, and tuition revenues for tuition. Because it resulted in a significant shift of funds among the universities, the new methodology was to be implemented over a period of 10 years to minimize the impact of this shift. BR#96-68 modified these methodologies to address certain concerns regarding revenues and enrollments.

There was no further change to the model until June of 1999. At this time, it was recognized that the ten-year implementation period continued to provide less funding per student for those universities for whom the new methodology corrected under-funding caused by the old methodology. While there was no change made to the distribution methodology itself at this time, the Board of Trustees in June approved BR#99-32, which accelerated the implementation of the new methodology for general funds and CSU Grants, so that it would be accomplished in six years rather than ten with no retroactive funding, for those universities slated to receive greater allocations than under the "old" methodology. The difference in funding for the universities utilizing the accelerated implementation would be provided from Systemwide reserves. Those universities which were gradually receiving lower allocations of funds under the ten-year implementation schedule would continue on the schedule originally established.

However, it was clear that there were other issues related to the existing funds distribution models, and that it was time to reexamine the existing CSU models in light of other types of models used by other university systems across the nation. It was decided that an outside consultant with expertise in fund distribution methodology be hired to take an objective look at CSU's models. In July of 1999 an RFP was issued, and MGT of America was hired to take on this project.

ANALYSIS

MGT of America's draft report was presented to the Finance and Administration Committee on January 28 of this year. Since that presentation, several models have been considered and discussed with the universities.

The issues raised regarding the current model concern equity and stability. The current models distribute tuition based on proportionate revenue, CSU grants based on a combination of revenue and need, and general fund based on full-time student headcount. The universities assert that it is a disincentive not to be able to keep the tuition dollars that have come into a university as a result of its own efforts to increase enrollment, and for the CSU grants generated

as a result of these tuition dollars not to be used for the benefit of the university's own needy students.

In addition, the current model awards funding to the universities at the beginning of the year based on projected enrollment and tuition levels, and then adjusts that funding in March (3/4 of the way through the year) based on actual enrollment and tuition levels achieved. This method makes it impossible for a university to manage its funds strategically, since the level of funding that appears to be available to a university at the beginning of a year can radically change by the end of the year. For example, at the beginning of FY1999-00, according to the existing formula Southern was allocated a General Fund amount of \$55,629,245. In March of 2000, that amount was adjusted according to the formula, and the university learned it would lose \$671,777 of this funding.

The proposed distribution model addresses both of these issues, as well as other perceived inequities within the formulas. In addition, it simplifies the entire distribution process, reducing three cumbersome formulas down to one simplified formula. At the same time, it preserves a program to enable the Board to achieve specific Board priorities, so that the Board of Trustees can potentially continue to support universities for the achievement of pre-established institutional goals. Finally, the proposed model would continue to provide funds to support systemwide and system office activities.

Highlights of the proposed approach follow:

■ General Fund

- Each institution will be provided with a base cost block grant of \$2.4 million plus fringe to cover certain fixed costs of operations (institutional support and facilities support).
- Each institution will be provided with a variable cost block grant based on the sum of the prior year's ending full-time-equivalent of full-time students enrolled. These enrollment numbers will be based on the average of fall and spring third-week enrollment figures.
- A portion of the state appropriation will be retained for system office operations, related activities, and other priorities of the Board of Trustees. These amounts will be established annually as a part of the Spending Plan process, and assessed equally across the four universities. The System Office will internally exchange General Fund dollars for operating fund dollars in order to ensure that all General Fund current services dollars are spent on Personal Services.
- Tuition and Extension Fee Freeze amounts received as state appropriation will not be included in the General Fund block grant distributed to the universities. Instead, these funds will be distributed as follows:
 - Tuition Fee Freeze dollars will be distributed proportionally based on the prior year ending tuition net of waivers.

- Extension Fee Freeze dollars will be distributed proportionally based on the prior years ending part-time credit hours per university.
- Tuition
 - Each institution will retain all tuition funds collected from its students.
 - Each institution will be assessed a portion of its tuition receipts to support priorities of the Board of Trustees. The Trustees' priority portion will be a fixed amount of \$1,600,000 per year; \$600,000 will be assessed proportionally based on prior year ending tuition net of waivers; \$1,000,000 will be assessed equally across the four universities. The Board of Trustees may assess the universities additional amounts for other Board priorities as they see fit.
 - Each institution will be held accountable for complying with statutory requirements of CSU grants.

This methodology will result in a shift of funds among the universities. Therefore, for those universities that will be receiving less General Fund dollars than they would have received under the prior methodology, it is proposed that they be provided with supplemental funding from Systemwide reserves of \$375,000 each in FY2000-01, and \$125,000 each in FY2001-02. This supplemental funding will enable them to take the strategic actions necessary to address the decreased funding.

It is recommended that this distribution methodology be implemented effective July 1, 2000.

CHANCELLOR'S RECOMMENDATION

Approve the new Tuition and General Fund distribution methodology, to be effective July 1, 2000.