

Revised: July 9, 2008

(Original recommendation submitted January 9, 2008 and approved on March 11, 2008)

Recommendation #37 (Revised): Methodology for the distribution of state appropriation to support student and instructional activities of colleges.

Issue number: T-12

Background

The Budget Model Review and Implementation Committee (BMRIC) recommended that a portion of the general state appropriations be distributed to partially fund student recruitment, advising, retention, and instructional activities of colleges. The BMRIC recommended that the tuition revenue distribution models for each level of education (undergraduate, professional and graduate) be used as a basis for distributing these funds to the colleges. Because the tuition revenue distribution model differs for each level of education, it will need to be determined how these state appropriated funds will be applied to each tuition revenue distribution model.

According to the tuition revenue distribution method as prescribed by the Resource Management Model, twenty-five percent of net tuition revenue (net of the discount adjustment for non-collection and student financial aid) generated from undergraduate students is distributed to the college based on the student's undergraduate major. Seventy-five percent of net undergraduate student tuition is pooled (SCH tuition pool) and distributed to colleges based on the student credit hours taught by each college. The SCH tuition pool distribution is based on the college's proportion of total student credit hours and reflects average revenue per student credit hour rate, regardless of the residency.

According to the tuition revenue distribution method as prescribed by the Resource Management Model, the net tuition revenue (net of the discount adjustment for non-collection) generated from a graduate student and the net tuition revenue (net of the discount adjustment for non-collection and student financial aid) for a professional veterinary medicine student is distributed entirely to the "home" college of the student. When a graduate or professional veterinary medicine student enrolls in a course that is offered outside their home college, revenue will be transferred from the student's home college to the college offering the course.

Originally, it was recommended on January 9, 2008 by an implementation work group that "since the instructional support needs may vary by college and by discipline, a formula approach to the distribution is not well suited to the objectives of the Resource Management Model. Recognizing and supporting colleges' student recruitment, advising, retention, and instructional activities is one of the factors outlined by the Provost as a factor in the Resource Management Fund distribution decisions. Therefore, the RMM Operations Team recommends that the instructional support component of the

IOWA STATE UNIVERSITY

Resource Management Model Implementation

state appropriation as recommended by the Budget Model Review and Implementation Committee be folded into the Resource Management Fund distribution decisions and not be distributed based on the same distribution methodology as tuition revenue.”

During the development of the fiscal year 2009 budget, a concern was raised that the Resource Management Model’s algorithms for distributing tuition revenue contain a structural misalignment. Specifically, the concern was that the tuition revenue generated by undergraduate students is distributed using enrollment and SCH, while some central administrative costs are allocated using only enrollment data and not SCH data. Because the twenty-five percent distribution of undergraduate tuition revenue takes into account the assessment differences between resident and non-resident students, the marginal effect of this misalignment is especially apparent when considering the impact of adding an additional undergraduate resident student. Unless adjustments to a unit’s share of state appropriations are made to mitigate this inequity, this misalignment weakens the incentives for enrolling undergraduate students.

Recommendation

One of the overarching goals for the distribution of state appropriations is to maintain the incentives that are built into the Resource Management Model. In addition, the Executive Vice President and Provost has included recognizing and supporting colleges’ student recruitment, advising, retention, and instructional activities as one of the factors that will be considered when state appropriations are distributed. Therefore, it is recommended that a portion of state appropriation be distributed to the colleges based on their proportional share of undergraduate, resident student enrollment. This portion of state appropriation will be labeled as “Instructional Subsidy”.

The dollar amount should be set so that the difference between the tuition revenue distributed to the college based on where an undergraduate resident student is enrolled (net of financial aid) and the average allocated expenses for an undergraduate resident is a positive amount. Based on a marginal analysis, it was determined that \$8.5 million of state appropriations would need to be distributed to colleges to achieve that result. The distribution of the \$8.5 million (about 4% of the total RMF distribution for FY09) to colleges would be based on their proportional share of undergraduate resident students using the prior fall term’s 10th day enrollment census of undergraduate resident students (ex. for fiscal year 2009, the fall 2007 term’s 10th day enrollment data would be used).

It is also recommended that the \$8.5 million amount remain fixed for the next five years.