

ADHE Presentations to 4-Year and 2-Year President's and Chancellor's Meeting

April 1st, 2008, University of Arkansas System Office, Little Rock, Arkansas

The meeting began with Dr. Jim Purcell, Director of Arkansas Department of Higher Education, presenting information regarding the funding of a state-supported "single parent scholarship" that Governor Beebe is very interested in implementing. A research report **Positive Outcomes** funded by the Winthrop Rockefeller Foundation and the Delores and Thomas Bruce Endowment Fund of the Arkansas Community Foundation was distributed. Numerous institutional representatives at the meeting indicated that single parents at their institutions were usually eligible for PELL grants, Workforce and job-training grants, etc. and were not sure there was a need for a state-supported scholarship program. After discussion and a recommendation from the group, Dr. Purcell indicated ADHE would survey institutions to find out what they were already doing to provide financial assistance to single parents and what each institution might commit to do from its allocated scholarship dollars to fund such a scholarship for single parents.

A copy of a letter sent from Governor Beebe March 26th to state agencies receiving state general revenue was distributed. The Arkansas economy appears to be showing signs of weakening and future revenue forecasts may or may not meet DF&A projections. It is due to this possibility that the Governor is asking each state agency that receives state general revenue to prepare one budget that will reduce its level of general revenue funding by 7% for each fiscal year of the next biennium. Dr. Purcell and Dr. Stanley Williams, Senior Associate Director of Arkansas Department of Higher Education Finance, informed the group that this also applied to Arkansas higher education institutions. Each institution is being directed to prepare three, 2009-2011 biennial budget requests that include (1) one baseline budget request with no increases in general revenue allocation, (2) one budget request that reduces the biennial budget by 7% of the FY'09 general revenue allocation (Revenue Stabilization ACT money only), and (3) one budget request seeking modest increases or what Dr. Williams referred to as the "dream budget request." The Governor has stated that his funding priorities are (1) to provide adequate funding in response to Supreme Court mandates regarding K-12 education, and (2) to continue the elimination of some or all of the remaining sales tax on groceries. According to Purcell, the Governor thinks there will be very little, if any new money for higher education. Williams also informed the group that he was monitoring state revenue collections and other economic indicators and expressed guarded caution.

The next agenda item had to do with the status of "performance/incentive funding." It had been planned that "incentive funding" be used for initiatives to increase the number of associate and bachelor degrees awarded to Arkansans. Areas for improvement included the following: (1) increasing degrees in targeted disciplines based on state and regional needs, (2) increasing the number of degrees earned by individuals 25 and older, (3) increasing the number of degrees awarded to under-represented minorities, and (4) increasing the number of bachelor degrees awarded to transfers from 2- to 4-year programs. With the prospect of little to no new money for higher education, "incentive funding" appears to be set aside for now and may be considered in future biennial budgets.

Information was presented to the group that showed the impact of using "census date" SCH production versus "end-of-term" SCH production in ADHE funding-formula calculations. If higher education was "fully-funded" using the current ADHE funding formula (based on census date SCH production), Arkansas higher education would need at least \$126.2 million new funds for 4- and 2-year institutions. However, if end-of-term SCH (EOT) production was used in funding formula calculations, then \$58.9 million in new funds for 4- and 2-year institutions would be needed. After numerous discussions with the Governor, Purcell is convinced that the 4- and 2-year presidents and chancellors must reach a consensus regarding the ratio of census date versus EOT SCH production in funding formula calculations. If consensus is not reached, Governor Beebe indicated he will make the decision for the institutions. After reviewing the analysis presented to the group, numerous presidents

and chancellors voiced their support for a “90%-10%” distribution for the use of census-date versus EOT SCH production. Using the 90%-10% ratio applied to institution’s calendar year 2007 SCH production, means that ASU-Jonesboro hypothetically might receive \$6.6 million in new funds if all higher education needs were fully-funded based on the current funding formula. On the other hand, if only census date SCH production was used, ASU-Jonesboro hypothetically might receive \$7.1 million in new funds compared to only \$2.3 million in new funds if only EOT SCH was used.

Purcell and Williams also recommended to the group that the current funding-formula be “repealed from legislation” so that future modifications/adjustments could be made to the funding-formula without going through the legislative process.

Purcell presented information regarding future changes in identifying productive degree programs. He considers the current standards to be too low. ADHE will conduct a review of other states to determine what standards are being used to determine degree program productivity. Presently, bachelor degree programs are considered productive if a program has 3 graduates annually—3 graduates annually in associate degree programs, 2 graduates annually in masters programs, and 1 graduate annually in doctoral programs.

Limited discussion occurred after information regarding the assessment of campus security and safety procedures, etc. was presented. ADHE will survey institutions to gather additional information.

A reorganizing of future Arkansas Higher Education Coordinating Board (AHECB) agenda items was mentioned to the presidents and chancellors.

Williams presented to 4-year institutional representatives a correction to the current funding formula to adjust for the “economy-of-scale” calculation for those institutions that have enrollments smaller than 3,500 FTE. This adjustment only applies to Henderson State, UA-Monticello, Southern Arkansas, and UA-Pine Bluff. The presidents and chancellors approved this adjustment.

Williams also presented an adjustment to the current funding formula to account for the “minority mission” of an institution—this adjustment from 10% to 15% only applies to UA-Pine Bluff. The presidents and chancellors unanimously approved this motion.

Meeting adjourned.