

Analysis of States' Budgeting Practices Pertaining to Student-Derived Revenues

April 2012

REPORT FOR THE NEVADA LEGISLATURE'S
COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION



Presentation Agenda

Background

Treatment of student-derived revenues in Nevada

Other states' budgeting practices

Case studies

Evaluating best practices

Current Formula Background

Two budgets

- State-supported
 - General state funds
 - 100% nonresident tuition
 - ~60-70% student fees
- Self-supported
 - Balance of student fees
 - Indirect cost recovery
 - Gifts and endowment/investment income
 - Revenue from sales and services

Current Formula Background

State-supported budget

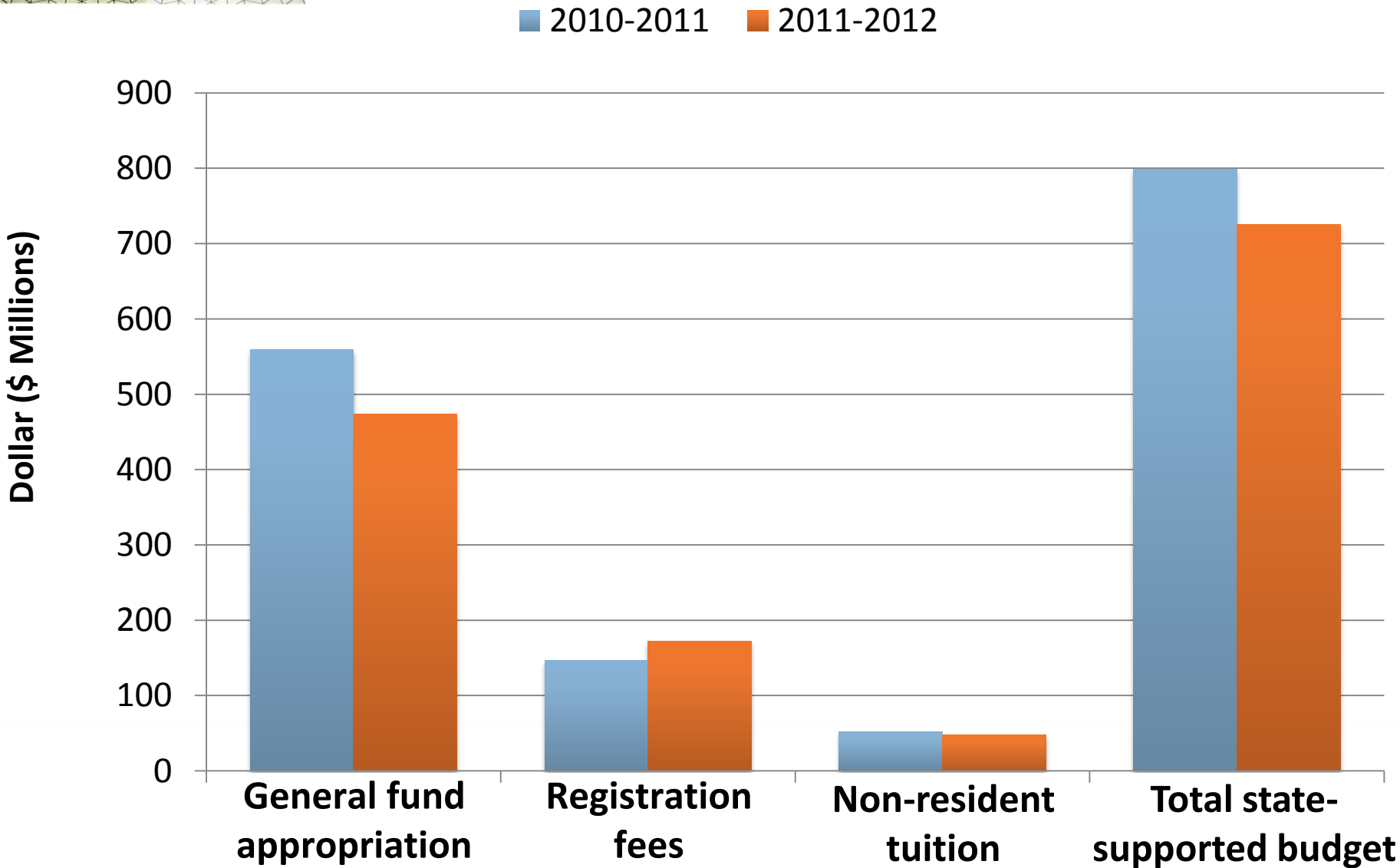
- Funding formula calculates funding levels
 - The formula for instruction is mainly based on student-to-faculty ratios using full-time equivalent (FTE) student counts. Notably, this counts both in-state and out-of-state students.
 - The formula for academic support is based on the number of full-time equivalent faculty members and staff members, number of library volumes, and the instruction budget.
 - The formula for student services is based on combined headcount and FTE enrollment.
 - The formula for institutional support is based on total operating budgets.
 - The formula for operations and maintenance of physical plant is based on maintained square feet calculation.
- Developed in 1989, revised in 2001

Current Formula Background

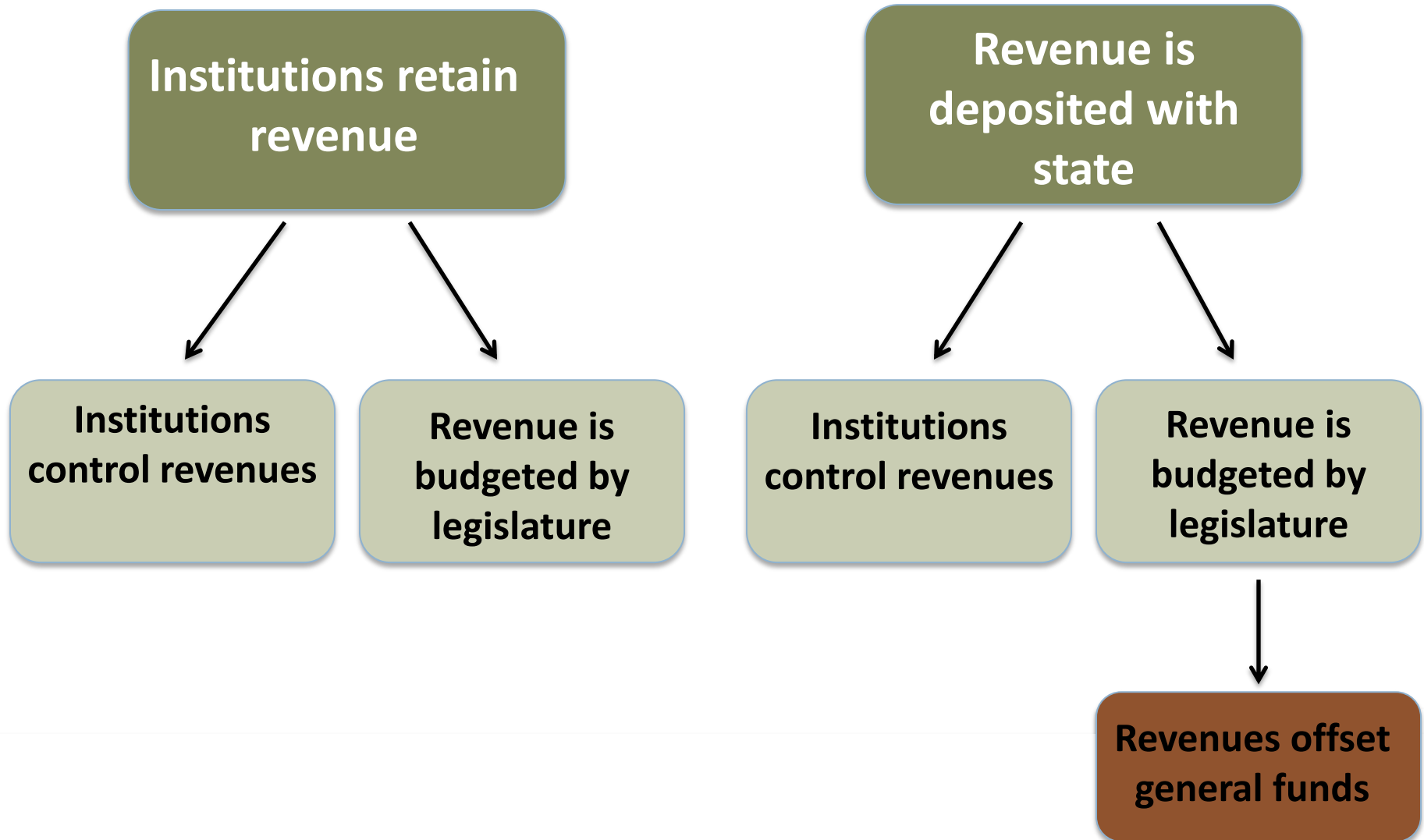
State-supported budget

- Historically, Legislature funds formula at $\leq 85\%$.
- Student-derived revenues are “first dollar counted” for each institution.
- Explicit use of funding formula suspended for 2011-12 biennium.

State-supported budget revenue sources

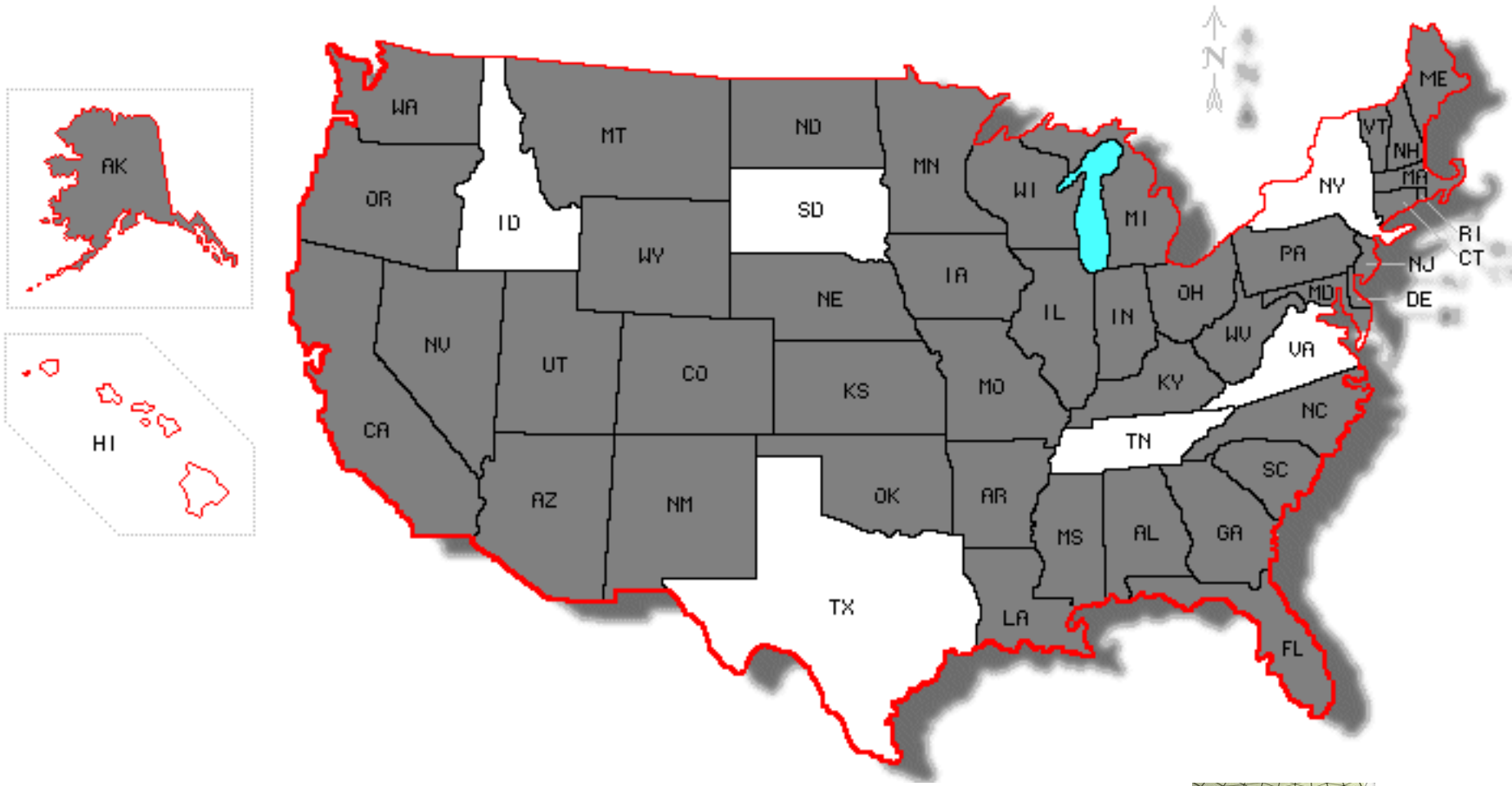


Treatment of student-derived revenues elsewhere



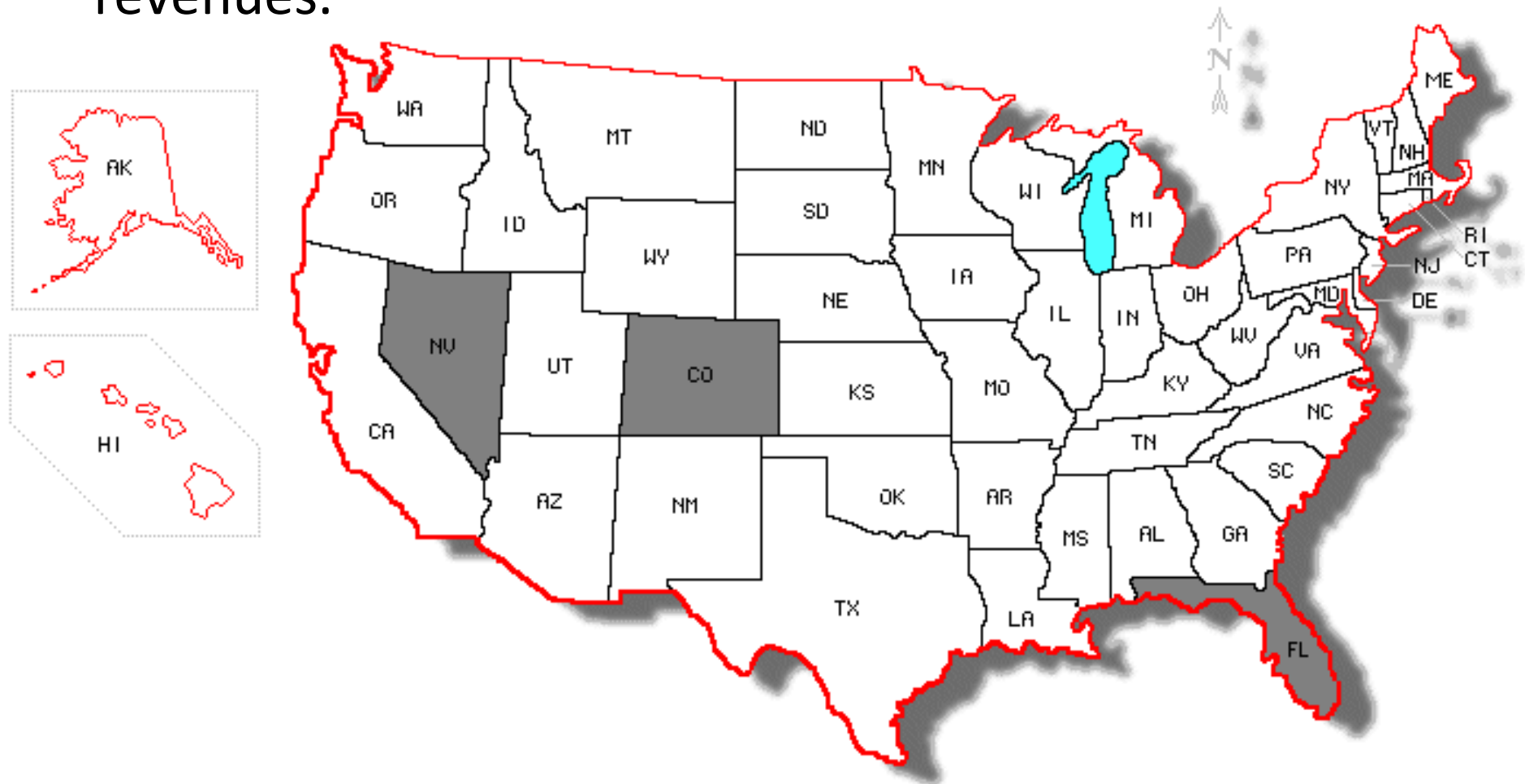
Treatment of student-derived revenues elsewhere

Institutions retain revenues.



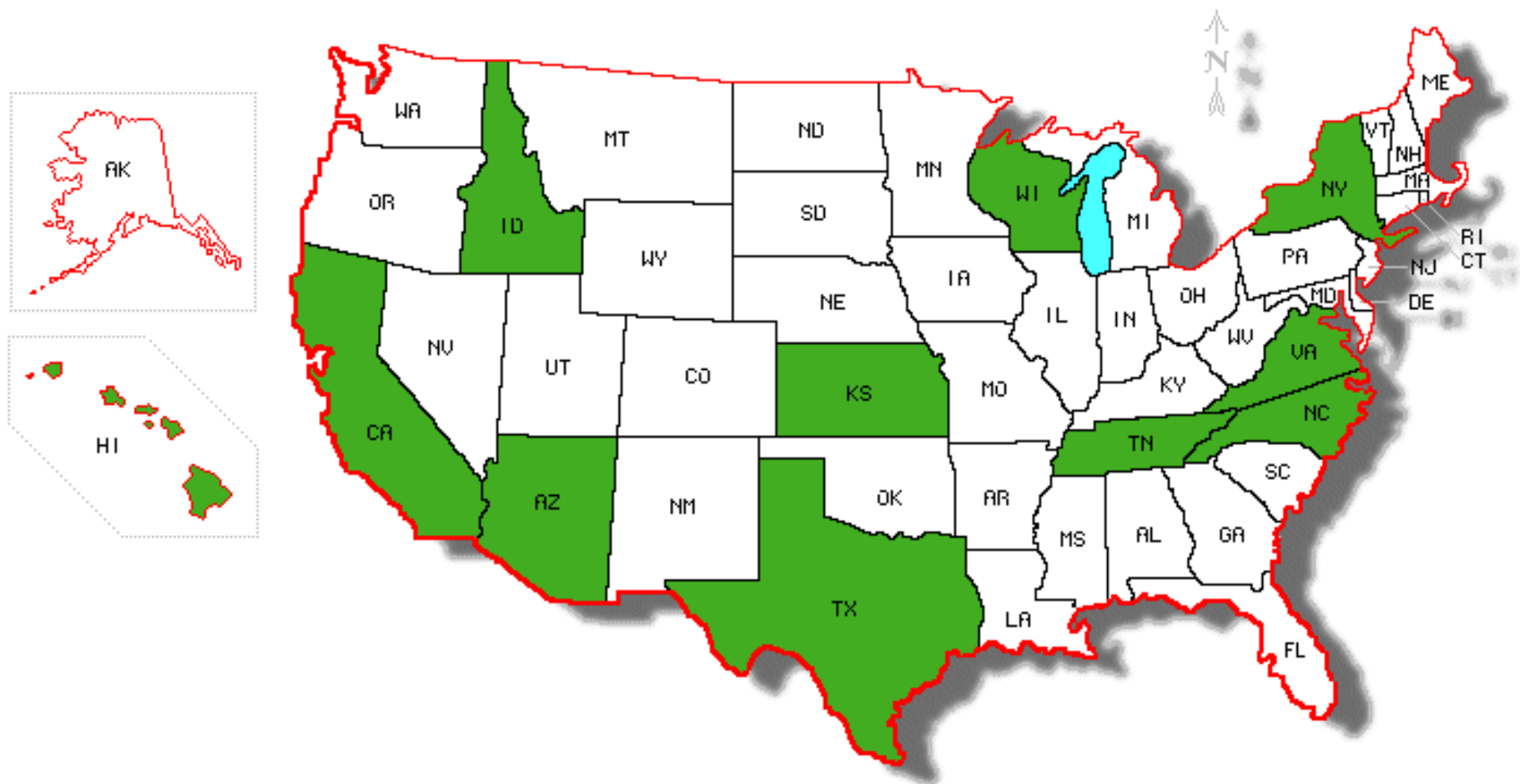
Treatment of student-derived revenues elsewhere

Institution retain revenues and legislature budgets the revenues.



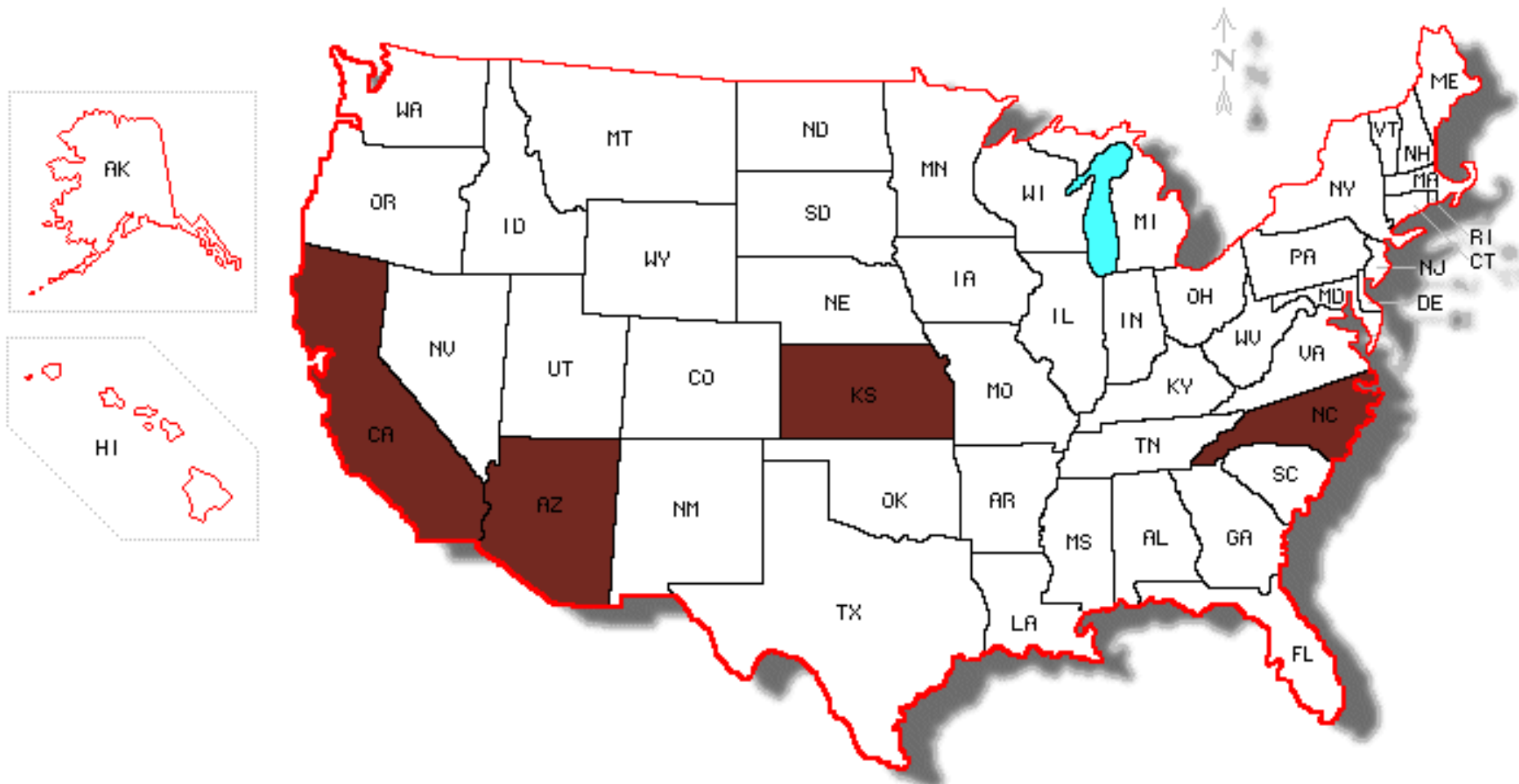
Treatment of student-derived revenues elsewhere

Revenues are deposited with the state.



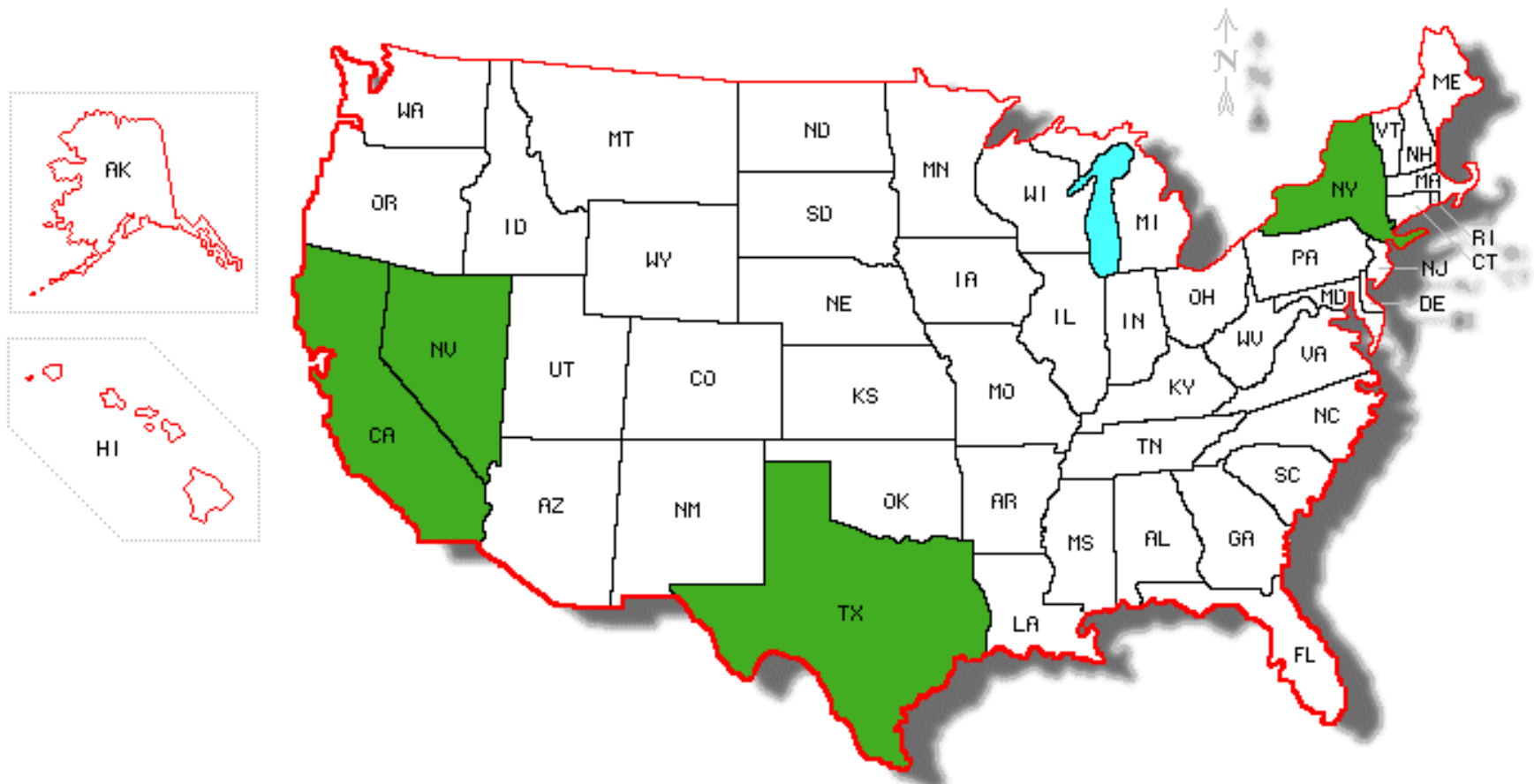
Treatment of student-derived revenues elsewhere

Revenues are deposited with the state but controlled by campus.



Treatment of student-derived revenues elsewhere

States where student-derived revenues is a direct offset of general appropriation funds.



States with recent changes

- New York
 - NYSUNY 2020 effective July 1, 2011
 - NYSUNY 2020 authorized all SUNY and CUNY campuses to raise tuition by \$300 annually for five years.
 - The tuition revenues generated through NYSUNY 2020 are returned to SUNY and CUNY campuses.
 - NYSUNY 2020 prevents state legislature from cutting funding to SUNY an amount equal to the revenue generated by the tuition increase.
- South Dakota
 - Prior to 2010, tuition revenue was not allocated back as earned.
 - Since 2010, tuition revenue is allocated back to campuses as earned less 20% that goes to the Higher Education Facilities Fund.

States with recent changes

- Idaho

- Prior to 2005, Idaho resident student only charged a “matriculation fee”.
- Since 2010, all state institutions can charge tuition and fees to residents and nonresidents.
- Funds collected generally are deposited back into designated state accounts and legislature must appropriate funds.

- Colorado

- Prior to FY2011-12, both tuition and fees were appropriated.
- For FYs 2011-16, fees remain appropriated, but tuition revenues are under the authority of institutional governing boards.

Case study: California – a hybrid approach between state systems

- **University of California**
 - All nonresident tuition is retained at source campus, and are not state appropriated.
 - UC Office of President currently advocating for campuses to retain nearly all revenues they generate.
- **California State University**
 - Campuses retain student-derived revenues but the funds are accounted for through an appropriations process.
- **California Community College System**
 - Funded through state general fund appropriations, local property taxes, and a legislative-set student fee, which is deposited with the state.
 - General fund appropriations calculated by formula:
State apportionment = target allocation – (property tax revenue) – (98% of fees)

Case study: Texas - student-derived revenue offsets general fund appropriations

- Texas
 - Statutory tuition rates are set by the legislature.
 - Statutory tuition and some student fees are:
 - transferred to state treasury,
 - appropriated through budgeting process, and
 - offset general fund appropriations.
 - Only 25% of student-derived revenues are appropriated through budgeting process.
 - Institutions can set higher tuitions, and the difference can be set aside for specific purposes and retained by institutions.

Case studies

- Tennessee

- Fees collected by the institution are deposited in the state treasury and credited to a special agency account.
- Tuition collected by the institutions is appropriated by the legislature through a funding formula.
- Student revenue does not offset general fund appropriation.

- New Mexico

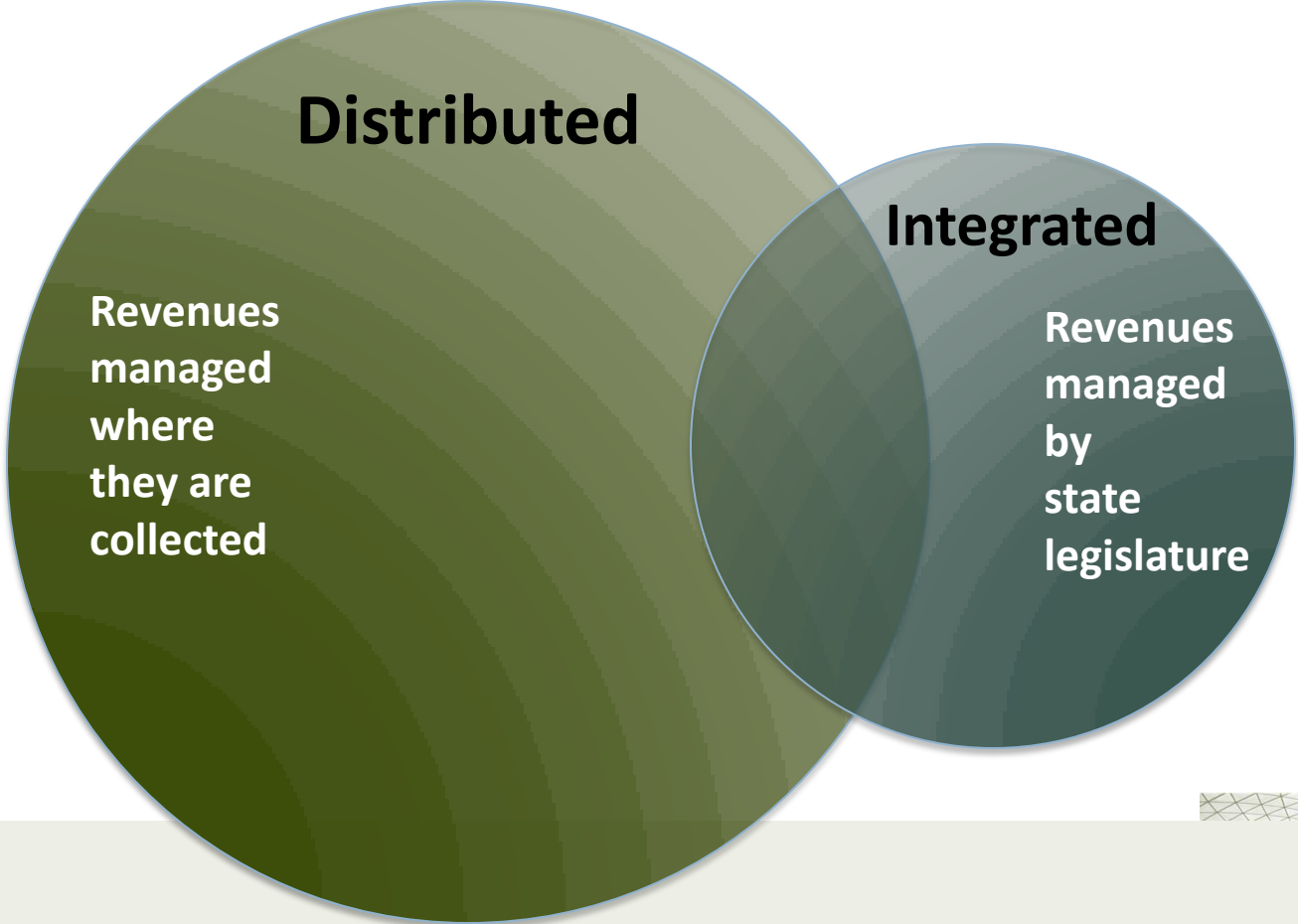
- Institutions have the authority to keep tuition and fee revenues and spend them at their own initiative.
- Tuition fees are set by the governing boards of individual institutions, with no explicit state-level restrictions or incentives to minimize increases.

NSHE proposed funding model

“The proposed model allocates General Fund dollars only without the inclusion of student tuition and fees. The funding model then provides that each institution will retain 100 percent of student registration fee and nonresident tuition revenues generated at that institution. The level of student fee revenues generated by an institution does NOT impact the amount of General Fund support generated by the new funding model.”

Evaluating best practice

Systems of control of student-derived revenues



Evaluating best practice

- **Access:** What are the implications for access, especially by underrepresented groups?
- **Quality:** What is the impact on quality of any particular approach?
- **Efficiency:** Does increased reliance on tuition and fees encourage new practices and greater efficiency?

Evaluating best practice

- **Accountability:** Are student derived revenues managed in a transparent way?
- **Sufficiency:** Do student revenues make an adequate contribution to the support of higher education?
- **Equity:** Is there an appropriate balance struck between student and taxpayer contributions?
- **Alignment:** Does the approach to student revenues align with the economic goals of the state?

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