

Equity in Higher Education Funding

Evaluation Report
November 2011

Office of Performance Evaluations
Idaho Legislature



Report 11-06

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Equity in Higher Education Funding

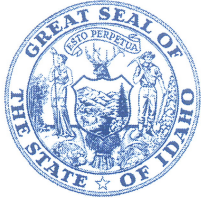
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November 22, 2011

Members
Joint Legislative Oversight Committee
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Last March, you directed us to conduct a study aimed at evaluating equity in higher education funding. We learned that equity concerns are at least 30 years old and the past efforts to address these concerns have achieved only short-term, limited success. Therefore, our goal for this evaluation was to develop recommendations that would result in long-term, sustained success.

We found that the state has no policy on what constitutes equitable levels of state-appropriated funds among the four-year higher education institutions given their unique missions and needs. If equity in higher education funding is a state priority, we recommend that a policy be developed to define equity and establish criteria for measuring it. Without such a policy, stakeholders are left to draw conclusions about equity from their own set of assumptions.

As made apparent in each institution's formal response to our evaluation, the issue of equitable funding is both complex and political. Therefore, our report concludes that the State Board of Education, as the oversight body for higher education, is best positioned to create a policy for equity. The board is charged with articulating priorities for higher education and, given that charge, is empowered to define equity in terms of those priorities.

In addition to the formal responses from each institution, responses from the Governor and the board are included at the end of this report. We thank the State Board of Education, Boise State University, Idaho State University, Lewis-Clark State College, and the University of Idaho for their cooperation and valuable input.

Sincerely,

A handwritten signature in blue ink that reads "Rakesh Mohan".

Rakesh Mohan

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Executive Summary

Equity in Higher Education Funding

Concerns have been voiced about equity in state funding for Idaho's four-year higher education institutions since at least the early 1980s.¹ The Joint Legislative Oversight Committee assigned our office to study whether state-appropriated funds are equitably distributed.

Systemic and persistent misunderstanding, miscommunication, and shifting definitions of equity for higher education funding have complicated the discussion on equity. And, even though the State Board of Education and the Legislature have made efforts to analyze and achieve funding equity, differences in per student funding levels among the four institutions have grown over the last decade.

Major Findings

The Legislature, the board, and the institutions have expressed interest in achieving and maintaining equity but have not set a standard that can be used to determine equity in higher education funding. We found that differences exist among the levels of funding at each institution. However, the board needs to answer fundamental policy questions about equity before a determination can be made about whether these differences constitute inequity:

- Against what standard and with which criteria should equity be measured?
- What are the consequences of not achieving equity?

Until these questions are answered, an examination of whether differences are inequitable will be futile. Our analysis reveals two important facts about the effect of legislative and board efforts to address equity:

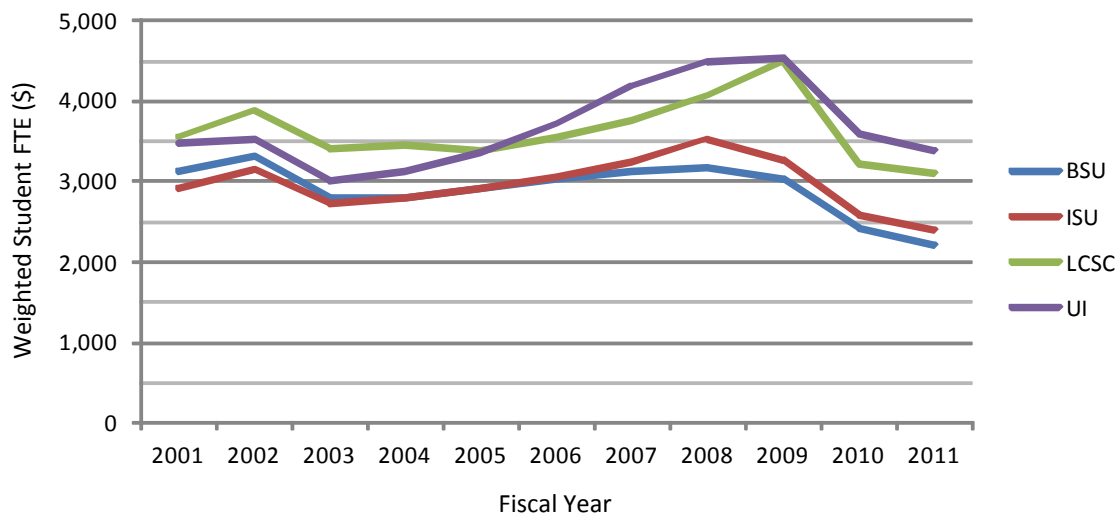
1. The differences in general fund dollars per weighted full-time equivalent student are larger than they were in fiscal year 2001 when funding was last officially declared inequitable and, to a lesser degree, the differences

¹ The four institutions discussed in this report are Boise State University, Idaho State University, Lewis-Clark State College, and the University of Idaho.

are larger than they were in fiscal year 2007 when funding was last officially declared equitable.

2. Not funding the enrollment workload adjustment (EWA) has exacerbated differences among the institutions' levels of general fund dollars per weighted full-time equivalent student. And yet, had the Legislature always funded EWA, differences would still exist.

EXHIBIT E.1 DISTRIBUTION OF GENERAL FUND DOLLARS PER WEIGHTED STUDENT FTE BY INSTITUTION, FISCAL YEARS 2001—2011



Source: Data from the State Board of Education.

Recommendations

We conclude that past efforts taken to manage equity have not successfully addressed stakeholder concerns. Therefore, we recommend that the state revise its approach to resolving the decades-old equity issue:

Recommendation 1: The State Board of Education, in conjunction with the institutions, should develop a board policy that sets an explicit standard of equitable funding levels. The board should develop the standard by determining how it will measure whether funding is equitable and what factors explain why differences in funding levels are warranted. In setting a standard, the board should consider the institutions' missions, the historical rationale for each institution's base, the goals of policymakers, and the implications of continuing to use the current funding process.

Recommendation 2: The State Board of Education should develop a plan to bring funding levels into alignment with a formally established standard for

equity. The board should design this plan to pursue equity while considering the statewide priorities of the Legislature and the potential for economic conditions that limit the amount of new funds available to higher education. By considering the often competing priorities that the Legislature must balance, the board will better position itself to develop a plan that can make progress toward achieving equity—even in years when there is no additional funding from the Legislature.

Acknowledgements

We appreciate the cooperation and assistance we received from the State Board of Education and the four-year higher education institutions: Boise State University, Idaho State University, Lewis-Clark State College, and the University of Idaho. We also appreciate the assistance we received from the Division of Financial Management and legislative Budget and Policy Analysis.

Maureen Brewer and Lance McCleve of the Office of Performance Evaluations conducted this study. Margaret Campbell copy edited and desktop published the report.

Dr. Kathleen Sullivan, professor and former director of the Center for Education Research and Evaluation at the University of Mississippi, conducted the quality control review. Bob Williams, a consultant from Washington, provided technical comments.

Chapter 1

Introduction

Legislative Interest

Stakeholders have voiced concerns about equity in higher education funding for at least the last three decades. Over the years, the State Board of Education and the Legislature have attempted to address these concerns but have achieved only limited, short-lived success.

After concerns were again expressed during the 2011 legislative session, the Joint Legislative Oversight Committee approved a request in March 2011 to examine whether state-appropriated funds are equitably distributed among Idaho's four-year higher education institutions. Our study scope sought to answer the following questions for policymakers as they address this issue:

- How does Idaho fund its four-year higher education institutions? Explain what factors influence this approach. How has this approach evolved over time?
- To what extent are state-appropriated funds equitably allocated? Explain what factors influence this condition. If the condition warrants improvement, how can the state more equitably allocate funds?

Evaluation Approach

Given the long history of concerns over equity in higher education funding, we designed our evaluation with the goal of facilitating a resolution to the decades-old issue. To most effectively reach that goal, we purposefully did not develop a report that repeated previous efforts to analyze equity.

Our evaluation sought to identify the root causes of the persistent equity concerns while recognizing the political context in which policy and funding decisions are made. As a part of that effort, a key piece of our work was to understand and clearly communicate

For the purposes of this study, **stakeholders** are the State Board of Education and the four institutions: Boise State University, Idaho State University, Lewis-Clark State College, and the University of Idaho.

how the board and the institutions perceive the equity issues facing higher education funding. Understanding the viewpoints of these stakeholders better positioned us to evaluate the issues and develop recommendations to facilitate a meaningful policy discussion.

Report Organization

We have organized the rest of the report into three chapters and four appendices:

- Chapter 2 is an outline of the state's process for funding the four-year higher education institutions and provides an overview of funding trends.
- Chapter 3 is an explanation of the concept of equity, equity history and use in Idaho, a description of the efforts made to date to achieve equity, and an illustration of the differences in funding levels among the institutions.
- Chapter 4 details our recommendations.
- Appendix A explains the enrollment workload adjustment (EWA) formula.
- Appendix B is the 2006 equity settlement.
- Appendix C is an annotated history of funding equity for higher education over the last three decades.
- Appendix D explains our evaluation methodology.

Chapter 2

Funding Overview

Funding Process

Idaho's four-year higher education institutions submit their budget requests to the State Board of Education for approval. The requests include a base budget for each institution that consists of the institution's previous year's base, minus any one-time funds, plus increases in ongoing funds. The base reflects incremental, historical decisions and makes up an average of about 90 percent of the budget request.

In addition to making the base budget request, the board also requests program maintenance costs. One of the most recognized program maintenance costs is an enrollment workload adjustment (EWA).¹ EWA funds are the product of a board policy designed to capture costs associated with changes in enrollment. EWA is a small portion of the budget request and becomes a part of the institutions' base budgets when funded. The board calculates EWA using a formula made up of several components.² Historically, stakeholders and the state's budget analysts have classified EWA as a nondiscretionary item because institutions do not have full control over enrollment growth.

Once the board approves the institutions' budget requests, a request is submitted to the executive branch and the Legislature. After receiving the Governor's budget recommendation, the Legislature authorizes an appropriation for the board to allocate to the institutions. The appropriation bill language allows the board to allocate state dollars among the institutions based on board policies and legislative intent.³

The Legislature appropriates funds and the State Board of Education allocates those funds to the four institutions.

¹ Examples of other types of program maintenance costs are benefit cost increases, general inflation adjustments, and replacement items.

² Appendix A outlines the formula and describes in greater detail the components used to estimate the change in cost resulting from changes in student enrollment.

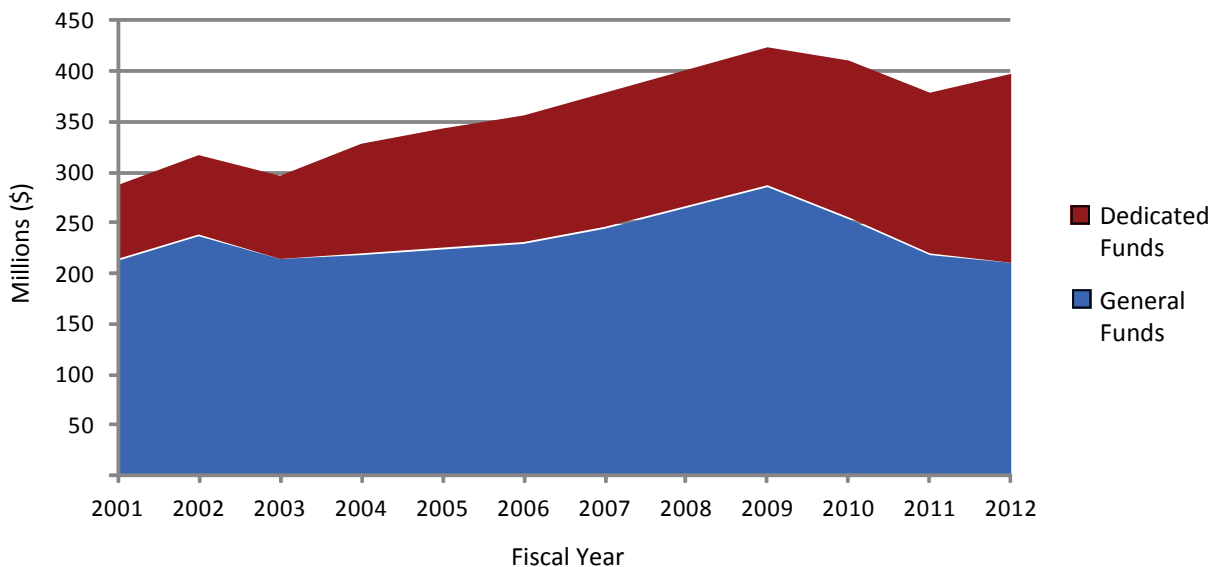
³ IDAHO CODE § 33-111.

As part of statewide budget cuts, the Legislature has reduced the higher education budget in recent years. Exhibit 2.1 displays the total state appropriation for the institutions from fiscal year 2001 to 2012. During the 2011 legislative session, the Legislature appropriated nearly \$400 million for the board to allocate to the institutions for fiscal year 2012. This amount reflects a general fund reduction of 3.5 percent from the previous year but an overall increase of 5 percent in all funds.⁴

The appropriation for the four institutions reached an all-time high in fiscal year 2009. Since reaching that high, the general fund budget for the institutions has been reduced by \$75.3 million; however, within that same timeframe, the amount of dedicated funds has increased by \$49.2 million because of increased revenues from student tuition and fees.⁵

Student tuition and fees is a portion of the institutions' operating budgets. These funds appear in the budget as a source of dedicated funds for the Legislature to appropriate. However, the board is charged with the authority to approve tuition and fee rates. The board usually takes this action in April each year.

EXHIBIT 2.1 GENERAL AND DEDICATED FUNDS AS A PROPORTION OF TOTAL STATE-APPROPRIATED FUNDS, FISCAL YEARS 2001–2012



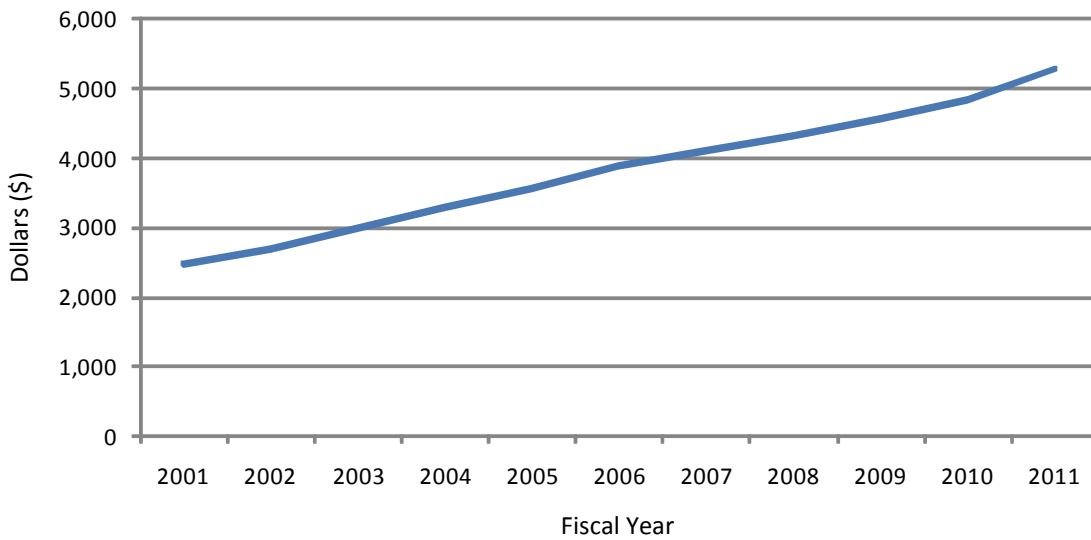
Source: Data from the State Board of Education and legislative Budget and Policy Analysis.

⁴ The 3.5 percent cut to the institutions' general fund budget was \$7.7 million. The overall increase of 5 percent is the result of an increase in dedicated funds.

⁵ Dedicated funds are mainly made up of student tuition and fees but also include other funds such as endowment and federal stimulus funds. Increased revenues from tuition and fees are a result of higher tuition rates and enrollment growth.

Since 2001, the board has approved an average annual increase of 7.8 percent. As shown in exhibit 2.2, regardless of whether the state appropriation has increased or decreased in a given year, student tuition and fee rates have increased every year.

EXHIBIT 2.2 AVERAGE ANNUAL TUITION AND FEE HISTORY PER RESIDENT STUDENT, FISCAL YEARS 2001–2011

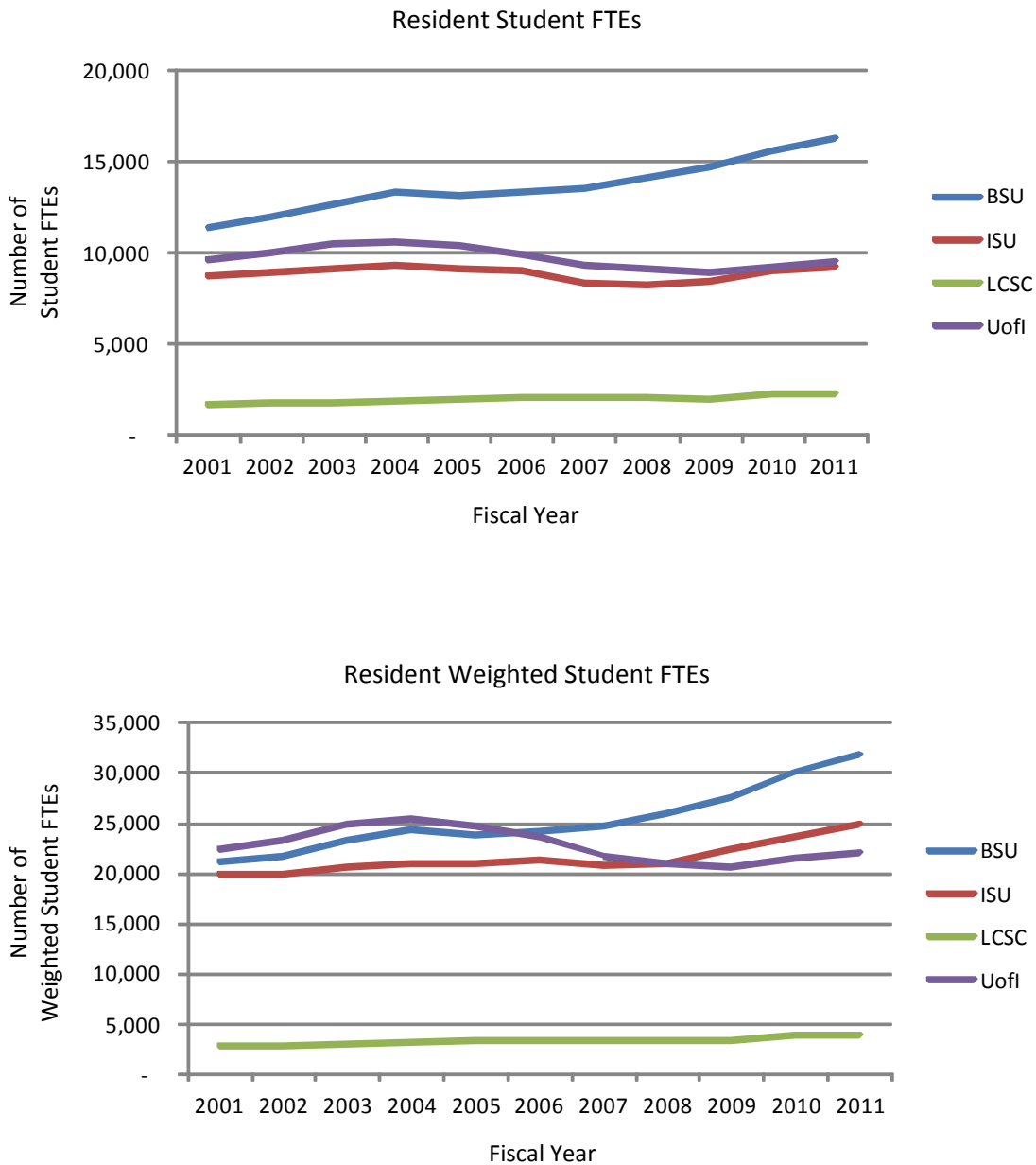


Source: Data from the State Board of Education and legislative Budget and Policy Analysis.

Considering the decrease in general fund dollars and the increase in dedicated funds, from fiscal year 2009 to 2012, the state appropriation for the four-year institutions has had a net decrease of 6 percent. This decrease in state funds has occurred amid overall growth in student enrollment. Exhibit 2.3 shows the growth in resident full-time equivalent student enrollment at each institution. Full-time equivalent student is calculated using total credit hours, and weighted full-time equivalent student is calculated using weighted credit hours.⁶ Boise State has had the most growth in both unweighted and weighted full-time equivalent student enrollment. However, all institutions have experienced enrollment growth in both categories since fiscal year 2009—growth that has many stakeholders concerned about the adequacy and equity of funding.

⁶ One full-time equivalent student equals 30 credit hours for undergraduate students, 24 for master and doctoral students, and 28 for law students. The board weights those credit hours as part of the EWA formula, which is explained further in chapter 3 and appendix A.

EXHIBIT 2.3 RESIDENT FULL-TIME EQUIVALENT STUDENT ENROLLMENT, FISCAL YEARS 2001–2011



Source: Data from the State Board of Education.

Note: One full-time equivalent student equals 30 credit hours for undergraduate students, 24 for master and doctoral students, and 28 for law students. The board weights credit hours as a part of the EWA formula, which is explained further in chapter 3 and appendix A.

Chapter 3

Funding Equity

The State Has Analyzed Equity

As previously mentioned, EWA is a formula designed and used by the board to arrive at an amount the board perceives is needed by the institutions to fund costs associated with changes in enrollment. The components used by the board to calculate EWA are (1) a cost factor applied to the previous year's base budget, and (2) a three-year rolling average of weighted credit hours.¹ By weighting credit hours, the formula attempts to assign different cost values for program categories and course levels. In this way, according to many stakeholders, EWA funds would likely cover the cost of enrollment growth and maintain equity among the institutions.

According to many stakeholders, funding EWA helps achieve and maintain equity.

However, consensus on a clear standard for determining equitable funding levels has eluded stakeholders for at least the past three decades. Stakeholders have used general fund dollars per weighted full-time equivalent student to compare funding levels among the institutions, but this is a method of comparing the distribution of general fund dollars among students and is not a standard for determining what distribution of general fund dollars constitutes equitable funding. To be a standard, stakeholders would need to define a tolerance range in which the distribution of general fund dollars becomes equitable. Currently, stakeholders compare funding levels by general fund per weighted full-time equivalent student, but they have not identified a standard for that comparison.

¹ Appendix A describes how these components are used in the EWA formula. Briefly, however, the previous year's total base budget represents the estimated cost of all programs. Weighted credit hours are intended to represent the cost differences among program types and levels, such as an undergraduate political science class versus a graduate level engineering class. The three-year rolling average considers the two previous years' actual weighted credit hours and an estimate of weighted credit hours for the current academic year. As designed by the formula, all institutions receive the same dollar amount for each new weighted credit hour.

Neither Idaho Code nor board policy identifies a standard for equity for higher education funding.

Even without a formalized standard for determining equitable funding levels, many stakeholders have repeatedly voiced concern that funding for the four institutions is inequitable. Although the state has evaluated equity on more than one occasion and declared equity at least twice, once in fiscal year 1991 and again in fiscal year 2007, no standard for equitable funding levels has been formalized.²

The most recent comprehensive assessment of equity was a 2001 study commissioned by the board and conducted by MGT of America, Inc. The MGT study concluded that funding was inequitable among the institutions and identified inequities in the base budget and EWA. As a result, MGT made recommendations for specific improvements to the EWA formula, but it also noted that adjustments made to the formula alone would not fix the inequity identified in the base budgets.

In 2001, MGT concluded that the institutions' base budgets were inequitable.

MGT drew its conclusions by analyzing equity several different ways.³ Each method had varying implications for what was considered equitable. As a result, MGT named two options, each with a differing dollar amount, to achieve more equitable levels of funding for the institutions.

In addition to the options presented in the MGT study, the board asked the institutions' presidents to develop a mutually agreeable plan to address inequity. The presidents were unable to reach consensus, so the board assembled a task force to review the results of the MGT study and the presidents' comments. The task force provided its recommendations to the board, and in early 2002, the board named an amount of funds it felt was needed to achieve equity.⁴

A determination of equity depends on how it is defined.

The varying conclusions of MGT and the board's task force demonstrate that equity is indeed subjective depending on how a standard is defined and who is defining it. Even if stakeholders agree to a standard for equity, if the standard is not formalized, concurrence is apt to change as individual stakeholders change.

² Appendix B is the 2006 equity settlement that last declared equity. The agreement was signed by the board and three of the institutions. Lewis-Clark was not a party to the settlement.

³ Examples of methods used by MGT to analyze equity include (1) general fund dollars per full-time equivalent student, (2) general fund dollars per head count, (3) total state appropriation per full-time equivalent student, (4) appropriation per head count, and (5) a comparison of the institutions' per student funding with peer institutions' per student funding.

⁴ Appendix C outlines key events that have taken place throughout the history of higher education funding to address equity.

The board and the institutions have sought to secure new funds from the Legislature as the primary means to achieve equity in lieu of reallocating the funds available. However, because consensus on a standard for equity has eluded stakeholders, they lack a clear direction for how to determine and achieve equitable funding.

Stakeholders believe that inadequate funding negatively impacts equity. Therefore, most stakeholders we interviewed consider a reallocation of funds by the board to be unreasonable or undesirable. These stakeholders have stated that no institution can afford to lose funds; instead, every institution needs additional dollars. The board and the institutions feel that the current funding levels are inadequate and prefer equity issues to be resolved through new funds from the Legislature, particularly by funding the EWA request. However, some stakeholders believe that a reallocation of funds may be necessary in certain years—especially in those years when the Legislature does not appropriate additional funds.

Most stakeholders we interviewed do not believe reallocating funds among the institutions is the most prudent way to achieve equity. Instead, they believe the issue is best solved by the Legislature providing additional funds.

The Board Has Made Efforts to Achieve Equity

In the years following the release of the MGT study, the board made several adjustments to its approach. Beginning in fiscal year 2004, the board began tracking an unfunded EWA balance for each institution. The unfunded balance is the cumulative difference between an institution's requested EWA and the amount of funds the board allocates to the institution. The board tracks the balance for two purposes: (1) to demonstrate to the Legislature the amount of EWA the board and the institutions believe is outstanding, and (2) to prevent immediate reductions to the base budgets for institutions that have unfunded EWA balances.

When the Legislature does not fund an EWA request, the board adds the unfunded amount to a cumulative unfunded EWA balance for each institution.

In 2005, the board adjusted the weights assigned to credit hours to account for differences in master and doctoral programs.⁵ Then, in fiscal year 2009, the board changed the EWA cost factor by increasing it from 33 percent of the institutions' total base budget to 67 percent.⁶ As a result, funded EWA now reimburses the institutions at twice the previous rate.

⁵ The board approved revised weights for graduate students by breaking the graduate category into master and doctoral categories. The master category retained the same graduate level weight and the doctoral category was assigned a weight of higher value.

⁶ After the board multiplies the total base budget by the cost factor, the product is divided by the prior year three-year average of weighted credit hours.

Further, instead of reducing an institution's base budget by a negative calculated EWA amount, that amount is first subtracted from the institution's unfunded EWA balance. The cost factor that the board applies depends on whether the institution has an unfunded EWA balance older than fiscal year 2009. The board will continue to use a cost factor of 33 percent until the balance reaches zero. Then, any negative EWA amounts going forward will be subtracted from an institution's base budget at a rate of 67 percent. According to the board, the total unfunded EWA balance for the 2010 budget request was \$1,324,600. Since then, the balance has grown to \$17,061,200 for the 2013 budget request—most of which is from unfunded EWA requests from the past three years.

Exhibit 3.1 shows the history of EWA from fiscal year 2001 to 2012. The board initially calculates EWA and then adjusts the calculated amount before making a budget request.⁷ The Legislature can then choose to authorize an appropriation for the board to allocate among the four institutions. The increase in requested EWA in fiscal years 2010 through 2012 is the result of not only enrollment growth, but also the increased cost factor. The increase (from 33 percent to 67 percent) reflects the board's efforts to more equitably fund growth.⁸

In addition to specific changes to the formula, the board has historically taken more than one approach to implement its policy on EWA. Although EWA funds should generally be allocated in accordance with the formula, the process is frequently complicated by unfunded EWA and the board's subsequent approach to the institutions' unfunded balances. In some years, the board has adjusted the requested amount depending on circumstances such as whether any institutions had a negative EWA amount or an unfunded EWA balance. When these circumstances have occurred, the board has taken a combination of actions.⁹

For example, exhibit 3.1 shows actions the board took in fiscal year 2009 to request and allocate EWA. The example illustrates that the board held one institution's base budget (Idaho State) harmless by applying its negative EWA (calculated at 33 percent) to its unfunded balance. The board held two other institutions' base budgets (Lewis-Clark and the University of Idaho) partially harmless by applying their negative EWA (calculated at 33 percent) to their unfunded balances until those balances reached zero and then reallocated the remaining dollars to fund the positive EWA at Boise State (calculated at 67 percent). This action allowed Boise State to receive its full EWA amount of \$1,394,400 even though the board only requested \$387,100 in EWA funds.

⁷ An adjustment is necessary because the EWA formula depends, in part, on one year of estimated credit hours. The current year adjustment corrects the previous year's estimate.

⁸ MGT concluded that a cost factor of only 33 percent introduced inequity into the base budgets over time. MGT recommended funding 100 percent of the change in the three-year weighted credit hour average.

⁹ Appendix C describes the specific actions the board has taken to allocate EWA during the past three decades.

EXHIBIT 3.1 HISTORY OF EWA, FISCAL YEARS 2001–2012

Fiscal Year	Calculated Estimate of EWA by the Board (\$)	Adjusted EWA by the Board (\$)	Requested EWA Appropriation by the Board (\$)	Appropriated EWA by the Legislature (\$)	Allocated EWA Appropriation by the Board (\$)
2001	1,883,100	2,687,800	2,772,200 ^a	2,772,200 ^a	2,687,800 ^a
2002	1,627,700	873,900	873,900	873,900	873,900
2003	1,281,000	909,600	1,071,000 ^a	0	0
2004	1,364,900	1,364,900	1,364,900	651,900	651,900
2005	2,679,800	2,679,800	2,679,800	0	0
2006	2,745,800	2,745,800	2,745,800	2,745,800	2,745,800
2007	723,600	723,600	731,000	731,000	731,000
2008	-669,900	-1,408,200	0	0	0
2009	-378,100	-1,182,500	387,100	387,100	387,100
2010	420,900	997,700	1,321,400	0	0
2011	3,754,300	5,567,200	5,640,300	0	-706,300
2012	5,755,500	8,465,800	8,465,800	0	0
Total	22,558,000	24,425,400	28,040,900	8,161,900	8,077,500

EXAMPLE: FISCAL YEAR 2009 DETAIL

Institution	Calculated Estimate of EWA by the Board (\$)	Adjusted EWA by the Board (\$)	Requested EWA Appropriation by the Board (\$)	Allocated EWA Appropriation by the Board (\$)	Explanation of Action that the Board Took to Allocate EWA
BSU	1,180,500	1,394,400	1,394,400	1,394,400	Allocated legislative appropriation of \$387,100 and reallocated negative funds from LCSC and UI.
ISU	-240,600	-532,800	0	0	Held base budget harmless by applying the negative EWA amount to the unfunded balance.
LCSC	-94,400	-103,200	-80,800	-80,800	Held base budget partially harmless by applying the negative EWA amount to the unfunded balance until it reached zero. Reallocated \$80,800 from LCSC's base budget to fund BSU's EWA.
UI	-1,223,600	-1,940,900	-926,500	-926,500	Held base budget partially harmless by applying the negative EWA amount to the unfunded balance until it reached zero. Reallocated \$926,500 from UI's base budget to fund BSU's EWA.
Total	-378,100	-1,182,500	387,100	387,100	

Source: Data from the State Board of Education and legislative Budget and Policy Analysis.

^a Data from the State Board of Education and legislative Budget and Policy Analysis do not match for these amounts.

The Legislature Has Made Efforts to Achieve Equity

During the 2002 legislative session, the House voted on a bill that would have required the board to complete an equity study every ten years and report the results to the education committees. This legislation died in the Senate Education Committee. In 2004, the Legislature expressed its continued belief about the importance of achieving equity and encouraged the board to continue gradually achieving equity within existing and future resources. One year later, the Legislature instructed the board to complete the process of achieving equity within existing and future appropriations.

During the 2006 legislative session, the Legislature, the board, and the institutions reached an equity settlement.

In addition to expressions of legislative intent in the higher education appropriation bills, the Legislature, the board, and the institutions reached a settlement during the 2006 session designed to address past inequity.¹⁰ The agreement paid \$2,190,300 to Boise State University and \$1,672,600 to Idaho State University for fiscal year 2007.¹¹ This amount was in addition to EWA funds requested and appropriated the same year.

Similar to the equity adjustment that took place for fiscal year 1991, the 2006 settlement was a political agreement negotiated to settle equity claims related to MGT's findings and the board's 2002 task force's subsequent recommendation. The agreement stipulated that any equity claims related to the task force's original recommendation were null and void. Because the Legislature funded the agreement in fiscal year 2007, stakeholders disagree about whether the settlement nullified all past equity claims or just those related to MGT's 2001 findings and the task force's 2002 recommendation.

The unfunded EWA balance tracked by the board predates the 2006 equity settlement.

Although the parties to this agreement stated their intention to void all previous claims, current equity claims predate the agreement. The unfunded EWA balance tracked by the board and the institutions includes unfunded EWA from fiscal years 2004, 2005, and 2006. According to board officials, tracking unfunded EWA from fiscal year 2003 forward is appropriate for two primary reasons:

1. The settlement's purpose was to fund the amount that the board's 2002 task force identified as needed to achieve equity.
2. The recommended amount was predicated on the Legislature funding EWA from fiscal year 2003 forward.

¹⁰ The signed agreement is in appendix B.

¹¹ The total amount paid by the Legislature was roughly 50 cents on the dollar for the total amount that the board's 2002 task force identified as needed to reach equitable levels of funding among the institutions.

Differences in Funding Levels Have Grown

Unlike provisions for K–12 education, there is no provision in the constitution or in statute that obligates the state to equitably provide a thorough, uniform, or free college education to Idaho residents. In the absence of a state law that requires the Legislature to equitably provide funds for higher education, differences in the levels of per student funding among the four institutions have alarmed some stakeholders, particularly those who perceive the differences to be exacerbated by unfunded EWA. The board and the institutions have looked to the Legislature to fund the EWA balance because the EWA formula is the tool recognized by most stakeholders to correct for inequity and bring the per student funding levels into closer alignment.

The Legislature is not statutorily obligated to fund higher education enrollment growth.

The EWA formula may be an appropriate tool to project need and guide budget requests. However, without commenting on its appropriateness or potential for resolving growth concerns, EWA is not an amount owed by the state to the institutions for the sake of equity. Instead, EWA is the amount of funds the board has identified as needed to manage increased costs resulting from increased enrollment. Whether the Legislature can or should meet this need is a policy decision.

Much frustration comes from a fundamental disconnect among the board, the institutions, and the Legislature about the role of the state in funding higher education. Furthermore, there is no agreement among the board, the institutions, and the Legislature on what role the state should have in supporting and funding decisions made by the board. For example, the board can establish state goals for the institutions, yet must look to the Legislature to fund the costs associated with new goals.

No single measure completely describes equity, and funding differences can be measured several different ways. However, one of the most common ways stakeholders portray their concerns is in terms of general fund dollars per weighted full-time equivalent student. Although not all stakeholders concur on the weights assigned by the board to calculate EWA, we used funding per weighted full-time equivalent student to analyze differences in funding levels because it is the method used by the board in its official reports. Further, to provide historical context, we selected fiscal year 2001 as the starting point for analyzing differences in funding levels.

Exhibit 3.2 shows the trend in the calculated Gini coefficient for general fund dollars per weighted full-time equivalent student for two scenarios and the actual funding levels from fiscal year 2001 to 2011. The Gini coefficient describes the concentration of a given resource (general fund dollars per weighted full-time

equivalent student) among a given population (the four institutions) and ranges from zero to one. A coefficient that is closer to zero means there are smaller differences among the institutions' funding levels, and a coefficient closer to one means that there are larger differences among those levels. In fiscal year 2001, the year that MGT determined funding was inequitable, the Gini coefficient was 0.04. In fiscal year 2007, the year for which the Legislature funded the equity settlement, the Gini coefficient was 0.06.

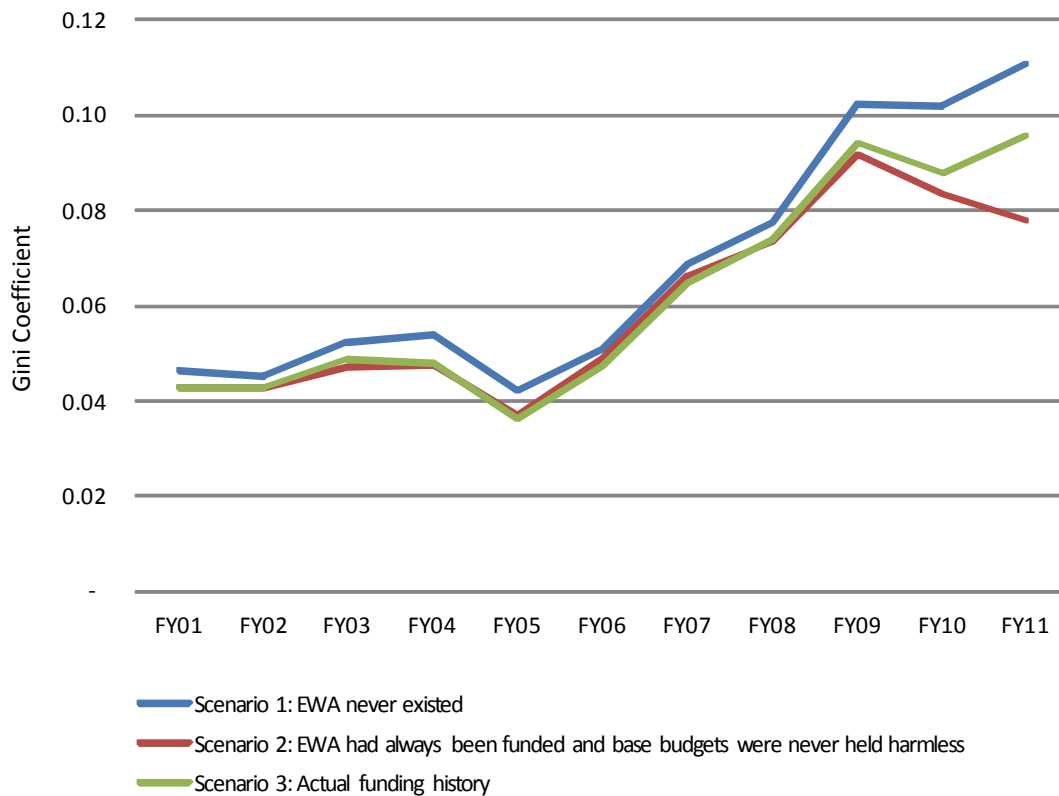
Had funding become more equitable in terms of general fund dollars per weighted full-time equivalent student after the MGT study, we would have expected to see differences in per student funding levels decrease from a coefficient of 0.04. However, as shown in exhibit 3.2, the differences in per student funding levels are larger than they were in fiscal year 2001 when MGT declared funding was inequitable and, to a lesser degree, the differences are larger than they were in fiscal year 2007—the year equity was last declared.

Furthermore, by comparing actual funding levels with two hypothetical scenarios, we found that, until fiscal year 2009, fully funded EWA and unfunded EWA yielded similar trends in the Gini coefficient.¹² The similarity of the trends indicates that a combination of factors other than EWA, such as enrollment growth rates and cuts to the institutions' base budgets, influenced changes in per student funding levels:

- **Scenario 1.** If EWA had not existed, the differences in weighted per student funding levels would be slightly more than the current level, indicating that the absence of EWA funds exacerbates differences in weighted per student funding levels.
- **Scenario 2.** If the Legislature had fully funded EWA and the board had never held the institutions' base budgets harmless, then the differences in per student funding levels would be slightly less than the current level.
- **Actual Funding.** The funding actions of the Legislature and the board include the Legislature's decision to fund or not fund EWA in some years, as well as the board's decision to hold harmless the base budgets of those institutions with unfunded EWA balances in some years.

Because a tolerance range for acceptable differences in funding levels has not been defined, and some differences are to be expected, the differences present in the current per student funding levels do not necessarily mean funding is inequitable. Differences in funding levels are expected because of factors such as

¹² We also compared the results of this analysis with an analysis using the coefficient of variation. Fully funded EWA and unfunded EWA yielded similar trends in the coefficient of variation as well.

EXHIBIT 3.2 SCENARIOS FOR DISTRIBUTION OF THE GENERAL FUND PER WEIGHTED STUDENT FTE, FISCAL YEARS 2001–2011


Source: Analysis of data from the State Board of Education and legislative Budget and Policy Analysis.

missions, economies of scale, unique program costs, administrative costs, types of student (for example, full-time or part time), and physical plant structure.

Some stakeholders we interviewed are concerned that the differences in funding levels are arbitrary and want funding levels to be justified by reasons such as missions and the unique needs of each institution. For example, the EWA formula outlines reasons for differences in funding levels and is designed to account for some institutional differences and to fund growth at each institution at the same rate. However, as shown in exhibit 3.2, the differences captured by EWA do not explain or account for all of the differences occurring in per student funding levels.

Differences in per student funding levels are larger now than in fiscal years 2001 and 2007. However, different levels of funding do not necessarily mean that funding is inequitable.

Through our interviews with stakeholders, we learned that representatives of the institutions believe that their level of state funding influences whether they can accomplish their missions and maintain or improve the level of service they provide. Each institution wants an equitable opportunity to accomplish its

mission and provide its desired level of service. Because each institution faces unique challenges in fulfilling its individual mission, setting a standard that defines a tolerance range for acceptable differences among the institutions' funding levels is essential. This concept will be explained in the following chapter.

Chapter 4

Recommendations

Stakeholders Should Identify a Clear Direction for Equity

Stakeholder concerns persist ten years after the MGT study and five years after equity was last declared. The notion of what equity actually means in the context of Idaho's four-year higher education institutions remains vague, and the State Board of Education has not answered critical policy questions:

- Against what standard and with which criteria should equity be measured?
- What are the consequences of not achieving equity?

Answers to these questions are subjective and stakeholders we interviewed either had no answers or had widely varying opinions on what the answers might be. Because the four institutions are similar in some respects but differ in others, such as their mission and growth rates, these questions must be answered to determine whether differences in funding levels among the institutions are arbitrary or justified.

After conducting a review of literature, we concluded that there is no generally accepted set of factors that states use to determine equity in higher education funding. Instead, states often determine funding priorities (including equity) through the policymaking process.¹ Therefore, we would have had to make significant assumptions about Idaho's priorities for higher education to determine whether differences in the levels of funding among the institutions do or do not constitute inequity. The answers to the questions posed are political and should be debated and decided by the board.

We found that the differences in per student funding levels have increased. However, in the absence of an explicit, policy-based standard for equity that

¹ For example, the organization State Higher Education Executive Officers (SHEEO) conducts a survey of state budgeting practices for higher education that provides some insight into other states' funding methods and priorities.

defines a predetermined tolerance range for differences in which funding among the institutions is considered equitable, any determination of the current level of equity would not be meaningful.

As discussed in chapter 3, the board currently uses general fund dollars per weighted full-time equivalent student for its official reports. Chapter 3 also notes the equity settlement reached during the 2006 legislative session designed to address claims of inequity stemming from conclusions drawn by MGT. Despite these attempts to measure and fund equity, stakeholders have not determined nor agreed to a standard for acceptable differences in funding levels among the institutions.

A standard for equity is a defined tolerance range against which the distribution of a given resource (for example, general fund dollars per student) among a given population (for example, the four institutions) can be measured to determine whether the distribution is equitable. A standard for equity would clarify for stakeholders and the Legislature what difference in levels of funding is acceptable and can be explained.

The following sections outline our recommendations for beginning steps the state could take to resolve equity concerns. Using this approach, the board would set a standard for equity and define the method by which the board will measure whether funding levels meet that standard. The board would also develop a plan to ensure funding levels meet the established standard.

The Board Should Set a Standard for Equity

The current funding approach has not effectively met the challenges posed by enrollment growth nor has it fully addressed stakeholder concerns about equity. The 2001 MGT study outlined key issues with Idaho's approach to equity. Ten years later, many of those problems still exist. In recent years, the Legislature has not funded EWA requests and, although board policy outlines several objectives for allocating state-appropriated funds, equity is not one of them.

Reaching a feasible solution has become more difficult than in 2001 because enrollment has increased, economic circumstances have worsened, and the EWA formula has created an expectation that the institutions are entitled to funds for changes in enrollment each year. These factors, in conjunction with a lack of a standard for equity, complicate the process of finding an acceptable solution. The current process is what stakeholders know and have looked to for the past few decades to manage growth and equity. However, efforts used for the last three decades have not resolved concerns.

We conclude that (1) the EWA-based approach to resolving concerns about equity is not guided by a formal standard for equity, and (2) always funding EWA will likely not resolve the equity issue. If the board never held the

institutions' base budgets harmless and the Legislature always funded positive amounts, some of the current differences in levels of per student funding might be reduced. However, stakeholders should not continue to assume that equity will be achieved simply by the Legislature funding EWA requests.

As described in chapter 3, claims of inequity have been primarily addressed with new money from the Legislature or reallocation efforts by the board. However, the Legislature and the board have made these efforts without an official standard to determine at what point equitable funding would be achieved and should be maintained.

Funding enrollment growth may be warranted for the sake of ensuring adequate funding and maintaining a consistent level of service. However, neither the Legislature nor the board should continue to carry out these types of efforts for the sake of achieving equity without a board policy that sets a standard for equity.

To set a standard, the board should first identify factors for which funding differences are warranted to ensure that any differences in funding levels are not arbitrary. Some differences in per student funding levels will likely continue to occur because of other factors that influence funding needs such as missions, growth rates, new programs, aging physical plants, and cost differences in similar programs. Therefore, the board should also define what method it will use to measure whether funding levels meet the standard. The board could continue to use general fund dollars per weighted full-time equivalent student as the measurement or another measurement that may better reflect factors that warrant differences in funding levels among the institutions.

Recommendation 1

The State Board of Education, in conjunction with the institutions, should develop a board policy that sets an explicit standard for equitable funding levels. The board should develop the standard by determining how it will measure whether funding is equitable and what factors explain why differences in funding levels are warranted. In setting a standard, the board should consider the institutions' missions, the historical rationale for each institution's base, the goals of policymakers, and the implications of continuing to use the current funding process.

The Board Should Develop a Plan to Bring Funding Levels into Alignment with a Standard for Equity

If the board is unable to justify the differences in funding levels that currently exist, then the board should develop a corrective plan. The plan should look beyond EWA as a solution. For EWA to function properly (1) the Legislature

must fund EWA continually, and (2) when the formula calculates negative EWA for an institution, the board must always remove those funds from the institution's base. Neither of these conditions has been met historically, making them unlikely to be met in the future. Concerns over equity may be valid but history has shown that, even when these conditions are met, EWA does not effectively address equity.

The EWA formula can still be used to fund future enrollment growth. However, because EWA is primarily a mechanism to address enrollment growth at the institutions, it should not be used to make claims about equity or relied upon to resolve equity disputes. To achieve equity, it must be pursued using a consistent standard and a systematic method for measuring whether funding levels meet the standard. Actively pursuing equity necessitates revision of the current funding process and mechanisms. Otherwise, claims of arbitrary differences in funding levels will persist.

Recommendation 2

The State Board of Education should develop a plan to bring funding levels into alignment with a formally established standard for equity. The board should design this plan to pursue equity while considering the statewide priorities of the Legislature and the potential for economic conditions that limit the amount of new funds available to higher education. By considering the often competing priorities that the Legislature must balance, the board will better position itself to develop a plan that can make progress toward achieving equity—even in years when there is no additional funding from the Legislature.

Appendix A

Enrollment Workload Adjustment Formula

Components of the EWA Formula

The enrollment workload adjustment (EWA) formula consists of several components:

- Total credit hours by program type and course level at each institution
- A system of weights for each credit hour by program type and course level
- An estimate of cost
- A factor used to adjust the estimated increase in cost because of an increase in weighted credit hours
- A factor applied to weighted credit hours in each institution's areas of emphasis

Each component helps the State Board of Education calculate (1) the value at which each weighted credit hour should be funded for all institutions, and (2) the change in weighted credit hours at each institution. The board multiplies the value by the change in weighted credit hours to calculate EWA. Exhibit A.1 outlines how the board uses the value and the change to calculate the institutions' EWA amounts and provides an example of one institution.

Weighting Credit Hours

Each institution collects its credit hours by program type and course level and submits them to the board. The board assigns each credit hour a weight depending on the program type and course level. Board policy divides all programs into four categories and then outlines the weights (ranging from 1 to 10) depending on program category and course level. Exhibit A.2 shows each program category and exhibit A.3 displays the weights for program category by course level.

EXHIBIT A.1 UNDERSTANDING THE BASICS OF THE EWA FORMULA

Formula**Part 1: Value Per Weighted Credit Hour**

$$\frac{\begin{array}{l} 1. \text{ Total base budget for} \\ \text{all institutions} \end{array} \times \begin{array}{l} 2. \text{ Cost factor} \end{array}}{\begin{array}{l} 3. \text{ Prior year three-year average of weighted} \\ \text{credit hours for all institutions} \end{array}} = \begin{array}{l} 4. \text{ Value per weighted} \\ \text{credit hour} \end{array}$$

Part 2: Each Institution's Calculated EWA

$$\begin{array}{l} 4. \text{ Value per weighted} \\ \text{credit hour} \end{array} \times \begin{array}{l} 5. \text{ Change in weighted credit} \\ \text{hour from prior three-year} \\ \text{average for each institution} \end{array} = \begin{array}{l} 6. \text{ Calculated EWA} \end{array}$$

**Description
of Formula
Values**

1. The total of all institutions' base budgets represents an estimate of the cost of instruction.
2. The cost factor represents the concept that the increase of one weighted credit hour does not translate to a 100 percent increase in cost.
3. Every year, the board calculates a rolling average for the previous three years of weighted credit hours for each institution. The sum of all institutions' prior year average is used as a divisor to calculate the value of a weighted credit hour.
4. The value of each weighted credit hour is the same for all institutions.
5. Each institution's previous year's three-year rolling average is subtracted from the current three-year rolling average to arrive at a change in weighted credit hours.
6. By multiplying the value of the weighted credit hour by the change in weighted credit hours, the board arrives at each institution's calculated EWA amount.

Example**Actual Fiscal Year 2010 Amounts for Calculating Boise State's EWA****Part 1**

$$\frac{\$290,485,500 \times 0.67}{2,023,956} = \$96.16$$

Part 2

$$\$96.16 \times 16,519 = \$1,588,500$$

Source: Analysis of the State Board of Education's allocation policy.

EXHIBIT A.2 CATEGORIES OF PROGRAM TYPES**Group I**

Physical Education
Law
Letters
Library Sciences
Mathematics
Military Science
Psychology
Social Sciences

Group II

Area Studies
Business and Management
Education
Communications
Home Economics
Public Affairs
Interdisciplinary Studies

Group III

Agriculture and Natural Resources
Architecture and Environmental Design
Biological Sciences
Fine and Applied Arts
Foreign Languages
Physical Sciences

Group IV

Engineering
Health Professions
Computer and Information Systems

Source: State Board of Education.

EXHIBIT A.3 WEIGHT FACTORS BY COURSE LEVEL AND CATEGORY

	Group I	Group II	Group III	Group IV
Lower Division	1.00	1.30	1.60	3.00
Upper Division	1.50	1.90	2.50	3.50
Masters	3.50	3.50	6.00	6.50
Doctoral	5.00	6.25	7.50	10.00
Law	3.50	—	—	—

Source: State Board of Education.

For the most part, the board has used the same weights since the early 1990s, but it modified a few of the weights in 2005 as recommended in the MGT study.¹ In our interviews, some stakeholders criticized the division of programs into their current categories and the assigned weight for each category and course level, saying that both are arbitrary.

The formula uses weighted credit hours to represent the relative cost differences among program types and course levels. Credit hours at all institutions receive the same weight for the same program and course level. Using the same weight for every institution does not account for cost differences among the institutions’

¹ The board approved revised weights for graduate students by breaking the graduate category into master and doctoral categories. The master category retained the same graduate level weight and the doctoral category was assigned a weight of higher value.

programs should differences exist. However, one component of the formula does reflect some difference in program costs and is supposed to help support the institutions' missions—the board applies a small factor to each institution's designated areas of emphasis.

Exhibit A.4 outlines the institutions' areas of emphasis. The total number of weighted credit hours within each area of emphasis is multiplied by five percent. MGT suggested the five percent factor be applied for only those areas of emphasis not shared by every institution. As shown in the exhibit, some of the institutions' areas of emphasis overlap, and all of the institutions receive the five percent factor for education.

Applying a Cost Factor to the Base Budget

The board determines the total base budget for all institutions by summing each institution's general fund budget, including endowments, and subtracting funding for system needs as authorized in the appropriation bill. This total represents an estimate of cost to which the board applies a cost factor to reflect the cost of an increase in weighted credit hours.

Because the board multiplies the sum of the institutions' base budgets by a cost factor to arrive at a value per weighted credit hour, reductions to the base budget result in a decreased value per weighted credit hour. In our interviews, the institutions pointed out that because of budget cuts, the value of the weighted credit hour has declined. When cuts to the institutions' base budgets occur during periods of enrollment growth, the institutions receive fewer funds for more students.

EXHIBIT A.4 INSTITUTIONS' AREAS OF EMPHASIS

Boise State University

Business
Social Sciences (includes Economics)
Public Affairs
Performing Arts (excludes Art)
Engineering
Education

Idaho State University

Health Professions
Biological Sciences
Physical Sciences
Education

Lewis-Clark State College

Business
Criminal Justice
Nursing
Social Work
Education

University of Idaho

Agriculture
Forestry
Mines
Engineering
Architecture
Law
Foreign Languages
Education

Source: State Board of Education.

The cost factor the board applies to the sum of the institutions' base budgets depends on whether an institution has an unfunded EWA balance older than fiscal year 2009. Until fiscal year 2009, the board used a cost factor of 33 percent. Since then, the board has reduced unfunded EWA balances using a cost factor of 33 percent until the balance reaches zero. If an institution experiences negative EWA after the balance reaches zero, the board continues to use a cost factor of 33 percent. After the balance reaches zero and an institution experiences positive EWA, the board uses a cost factor of 67 percent.

Calculating the Prior Year Adjustment

Because the calculated EWA uses one year of estimated credit hours, the board also calculates a prior year adjustment that is reflected in the current year's EWA amount for each institution. The board revises the prior year's three-year average using the actual credit hours instead of the estimated hours. The board multiplies the difference between the estimated and actual three-year rolling average by the prior year's value per weighted credit hour to arrive at an adjusted amount. The board then applies the adjusted amount to the current year's calculated EWA.

The Institutions' EWA History

The following section outlines each institution's history of EWA funding. Exhibit A.5 displays the amount of EWA requested for each institution since fiscal year 2001 and how much the board allocated to each institution once the board received the Legislature's appropriation. The negative amounts indicate that the board reduced an institution's allocation in that year because of a decline in weighted credit hours. Zeroes indicate that the board held an institution harmless by applying a negative amount to that institution's unfunded EWA balance instead of reducing the base budget.

The exhibit also shows that the request and the allocation do not always match, especially in years when the Legislature did not fund EWA. In some years, the board took no action and no institution received EWA funds. In other years, such as fiscal year 2010, the board reallocated the University of Idaho's negative EWA amount to partially fund Boise State's and Lewis-Clark's EWA.

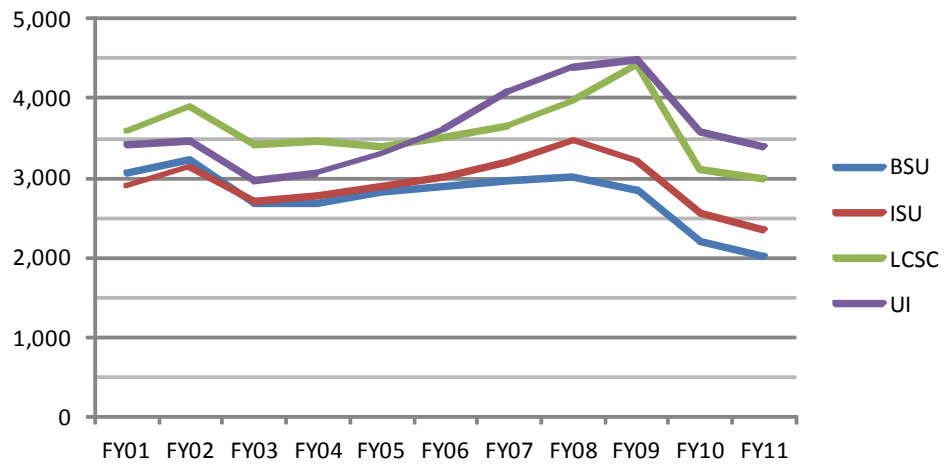
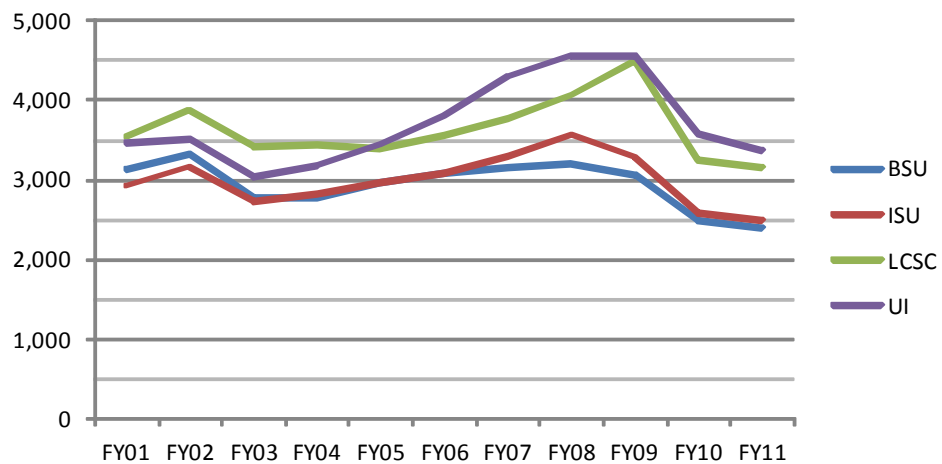
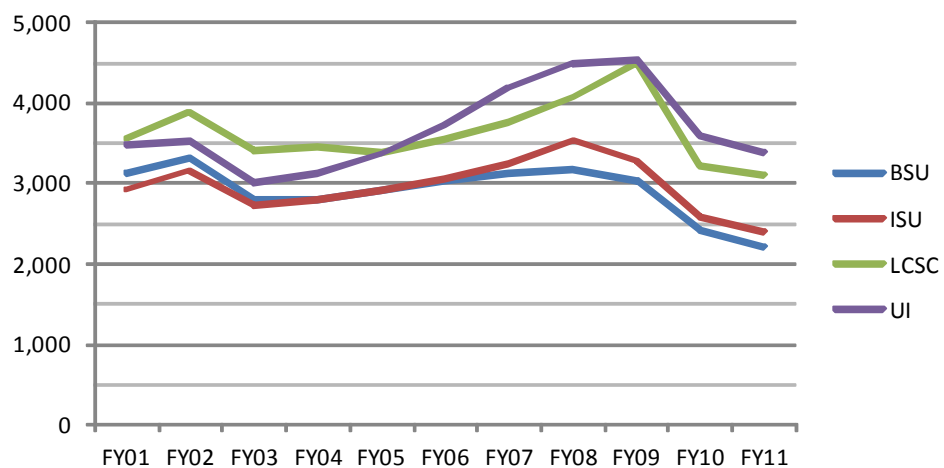
Effect of EWA on Funding Differences

Exhibit A.6 displays the effect of differences in general fund dollars per weighted full-time equivalent student funding levels among the four institutions from fiscal year 2001 to 2011 given two different EWA funding scenarios and the actual funding actions of the Legislature and the board. This exhibit shows that the per student funding relationships among the four institutions change very little. In all scenarios, for all institutions, per student funding has decreased in recent years.

EXHIBIT A.5 REQUESTED AND ALLOCATED EWA BY INSTITUTION, FISCAL YEARS 2001–2012

Fiscal Year	Boise State University			Idaho State University		Lewis-Clark State College		University of Idaho	
	Requested EWA (\$)	Allocated EWA (\$)		Requested EWA (\$)	Allocated EWA (\$)	Requested EWA (\$)	Allocated EWA (\$)	Requested EWA (\$)	Allocated EWA (\$)
2001	1,608,000	1,608,000		258,000	258,000	-94,800	-94,800	916,600	916,600
2002	687,400	687,400		-113,000	-113,000	71,200	71,200	228,300	228,300
2003	-128,200	0		397,100	0	-35,000	0	675,700	0
2004	117,300	56,000		310,000	148,100	24,500	11,700	913,100	436,100
2005	1,037,300	0		526,900	0	81,300	0	1,034,300	0
2006	1,179,200	1,179,200		556,500	556,500	144,500	144,500	865,600	865,600
2007	534,800	534,800		76,700	76,700	233,600	233,600	-114,100	-114,100
2008	0	0		0	0	0	0	0	0
2009	1,394,400	1,394,400		0	0	-80,800	-80,800	-926,500	-926,500
2010	2,143,400	992,300		0	0	317,100	146,800	-1,139,100	-1,139,100
2011	3,957,400	0		2,270,700	0	118,500	0	-706,300	-706,300
2012	4,379,300	0		2,543,200	0	728,000	0	815,300	0

Source: Data from the State Board of Education and legislative Budget and Policy Analysis.

EXHIBIT A.6 SCENARIOS FOR DISTRIBUTION OF GENERAL FUND PER WEIGHTED STUDENT FTE BY INSTITUTION, FISCAL YEARS 2001–2011
**Scenario 1: EWA
Never Existed**

**Scenario 2: EWA
Had Always Been
Funded and Base
Budgets Were
Never Held
Harmless**

**Scenario 3:
Actual Funding
History**


Source: Analysis of data from the State Board of Education and legislative Budget and Policy Analysis.

Appendix B

Funding Equity Settlement



IDAHO STATE BOARD OF EDUCATION

650 W. State Street • P.O. Box 83720 • Boise, ID 83720-0037
208/334-2270 • FAX: 208/334-2632
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March 3, 2006

Senator Dean Cameron & Rep. Maxine Bell
Joint Finance & Appropriations Committee
Boise, Idaho 83720

Re: Funding Equity Settlement

Dear Senator Cameron and Representative Bell,

In 2002, the Idaho State Board of Education (hereinafter "Board") approved the Task Force Report on Funding Equity based upon the MGT of America study. This study determined, among other things, that funding inequity existed internally among the universities for instructional programs.

Pursuant to the findings of this report and recommendations of the Board, the Idaho Legislature and the Board have hereby agreed to a funding equity settlement payment in the amount of \$3,862,900 which shall be allocated by the Board as follows: \$2,190,300 to Boise State University and \$1,672,600 to Idaho State University.

This payment shall constitute full, final, and complete satisfaction of the entire funding equity amount originally recommended by the Board. Neither the Board nor any institution shall request additional monies for funding equity in future years based upon the findings of the 2002 Task Force Report or related Board recommendations.

The Idaho Legislature's support on this important issue is greatly appreciated.

Roderic Lewis, President
State Board of Education

Laird Stone, Vice President
State Board of Education

Milford Terrell, Secretary
State Board of Education

Paul Agidius, Member
State Board of Education

Blake Hall, Member
State Board of Education

Marilyn Howard,
Ex-Officio Member,
State Board of Education

Karen McGee, Member
State Board of Education

Sue Thilo, Member
State Board of Education

Bob Kustra, President
Boise State University

Michael Gallagher,
Interim President
Idaho State University

Timothy White, President
University of Idaho

Appendix C

Funding History: Efforts to Achieve Equity

The following timeline depicts important events occurring over the last three decades.

1980–1989: Annual Cost Studies Conducted

During the 1980s, the State Board of Education conducted annual cost studies. On the basis of those studies, the board began using formula funding for higher education, but it only used the formula for a year or two because the formula did not meet the board's intended purpose. Within this timeframe, Boise State was voicing equity concerns and Idaho State was losing enrollment.

Throughout the 1980s, the board conducted annual cost studies for higher education funding.

After abandoning the formula, the board went to a base-plus method of allocating state dollars for several years. Then, in the late 1980s, the board took some of the components from the earlier formula and designed the enrollment workload adjustment (EWA) formula, which was integrated into the base-plus method.

1990–1999: Board Declared Equity in 1990

The board declared equity in 1990 following an equity adjustment to Boise State and Lewis-Clark. Fiscal year 1991 then became the new starting point for equity.

Equity was declared in fiscal year 1991.

In the early 1990s, the board stopped its efforts to complete annual cost studies largely because program cost estimates depended heavily on faculty self-reporting time on task. Fiscal year 1992 marked the first submission of annual credit hours for the EWA formula and the last statewide cost study used data from fiscal year 1993.

2000–2011: Equity Concerns Continue Throughout the Decade

Both the board and the Legislature have made efforts to address concerns about equity over the last decade or more. This section outlines what has occurred since 2000.

2000–2005

MGT of America conducted a comprehensive study of equity in 2001.

In 2001, the board commissioned MGT of America, Inc. to conduct a study to determine whether funding was equitable among the four institutions. MGT focused on funding levels since 1990 and examined both internal and external equity using several different methods.¹ MGT found that neither internal nor external equity existed and made several recommendations that included adjustments to the institutions' base budgets and the EWA formula.

After the release of MGT's study, the board asked the institutions' presidents to develop a mutually agreeable plan to address inequity, but the presidents were unable to reach consensus. One plan identified \$23,378,200 needed to achieve equity and to be distributed among all four institutions. Another plan identified a need for \$10,762,051 to be distributed between Boise State and Idaho State.

In September 2001, the board appointed a task force made up of board members and staff to develop recommendations on equity. The task force did not examine external equity. However, the task force's report highlighted its acceptance of the MGT findings that identified external inequities. The task force instead (1) focused on internal equity, specifically instructional equity; (2) considered the presidents' plans; and (3) identified an alternate amount of \$7,920,000 needed to correct internal inequity.

The following year, in 2002, a Governor's Research Initiative proposed nearly \$3 million for the four institutions. The board voted on how to allocate the proposed funds for research equity and decided it would have distributed the funds based on research expenditure levels.

Also in 2002, board staff completed an internal audit of the credit hour reporting process and its impact on EWA. The audit produced a series of recommendations to improve credit hour reporting and noted that the process lacked a routine, frequent, and formal process for revalidation and revision.

¹ MGT analyzed external equity by comparing the funding levels of Idaho's four institutions to their peer institutions in other states.

In fiscal years 2001 and 2002, the Legislature fully funded the EWA requests. The Joint Finance-Appropriations Committee (JFAC) appropriated \$2,772,200 for EWA in fiscal year 2001 and \$873,900 for fiscal year 2002. In fiscal year 2003, the Legislature did not appropriate funds for EWA.

During the 2003 legislative session, the board and the Legislature agreed that funding equity was an important issue and JFAC appropriated \$651,900, about half of the amount of EWA funds requested, for fiscal year 2004.

During the 2004 legislative session, the appropriation bill for fiscal year 2005 included language expressing the Legislature's belief that equity was an important issue. The Legislature encouraged the board to begin "gradually achieving funding equity within existing and future resources in a manner that is beneficial to the institutions."

The following year, in the spring of 2005, the board approved revised weights for graduate students by breaking the graduate category into master and doctoral categories. The master category retained the same graduate level weight and the doctoral category was assigned a weight of higher value.

Similar to the appropriation bill of fiscal year 2005, the bill for fiscal year 2006 included language expressing the Legislature's belief that equity was an important issue and directed the board "to complete [the] process within existing and future appropriations to achieve the base instructional equity and science and technology adjustment that form the basis of funding equity."

The board requested funds for EWA in fiscal year 2005, but JFAC did not fund the request. In May 2005, the board voted to reallocate 3.5 percent of the University of Idaho's base budget for funding equity, and in fiscal year 2006, the board reallocated \$196,800 from the University of Idaho to distribute \$110,100 to Boise State, \$84,100 to Idaho State, and \$2,600 to Lewis-Clark. Also in fiscal year 2006, the Legislature fully funded the EWA request of \$2,745,800.

2006–2011

The board approved changing the EWA formula in February 2006 to increase the cost factor applied to the base from 33 percent to 67 percent to provide funding for enrollment growth closer to when growth occurred and also to help achieve more equitable funding.²

The board adjusted the formula's cost factor which increased the amount of EWA requested each year.

That same spring, JFAC negotiated a funding equity settlement with the institutions. On March 3, 2006, board members and three of the institutions'

² The board approved the cost factor change in 2006 but did not implement the change until fiscal year 2009.

The Legislature, the board, and the institutions reached a funding equity settlement in 2006.

presidents all signed an agreement.³ The agreement paid \$2,190,300 to Boise State and \$1,672,600 to Idaho State for a total of \$3,862,900 in equity funding for fiscal year 2007. The total amount represented about 50 cents on the dollar of the amount identified by the task force as needed to achieve equity.

In fiscal year 2007, the same year the agreement was reached, the Legislature appropriated \$731,000 for EWA—an amount that exceeded the board’s original EWA request by two percent.⁴ Boise State received \$534,800, Idaho State received \$76,700, Lewis-Clark received \$233,600, and the board reduced the University of Idaho’s base budget by \$114,100.

The board did not request EWA in fiscal year 2008 because of adjusted and declining weighted credit hours. Instead, the board held all of the institutions’ base budgets harmless and applied the negative EWA amounts to the institutions’ unfunded EWA balances. The following year, fiscal year 2009, the Legislature appropriated \$387,100 for EWA. The request was based on a reduction of \$926,500 from the University of Idaho’s base budget and a reduction of \$80,800 from Lewis-Clark’s base budget to provide \$1,394,400 to Boise State for positive EWA. The board held Idaho State’s base budget harmless by applying its negative EWA amount to its unfunded EWA balance.

The Legislature did not appropriate funds for EWA in fiscal year 2010. However, because JFAC did not fund the fiscal year 2010 EWA, the board reallocated \$1,139,100 from the University of Idaho and gave \$992,300 to Boise State, \$146,800 to Lewis-Clark, and held Idaho State’s base budget harmless. The board requested funds for EWA in fiscal years 2011 and 2012; however, the Legislature did not fund the requests.

In response to concerns about equity raised to the Senate Education Committee, Senator John Goedde, chair of the Senate Education Committee, requested in March 2011 that our office study equity in higher education funding.

³ The president of Lewis-Clark did not sign the agreement because Lewis-Clark was not a party to the settlement.

⁴ During the 2006 legislative session, the state’s budget analysts worked with board staff to revise the EWA request after an error was discovered in the number of credit hours reported. The revised request resulted in an additional \$12,300 in EWA funds for fiscal year 2007.

Appendix D

Methodology

To begin the process of evaluating equity in higher education funding, we conducted a document review to understand the historical context of the issue. We reviewed Idaho Code and Idaho Administrative Code, relevant State Board of Education policy, board meeting minutes, and past studies relating to equity and EWA. The 2001 MGT of America study on higher education funding equity is the most recent comprehensive assessment of equity in Idaho. The study determined that funding was inequitable and provided recommendations to correct the inequity.

Because the 2001 study declared that inequity existed, we focused our research and analysis on what has transpired since its release. We used the board's measure of general fund dollars per weighted full-time equivalent student to determine how the differences in per student funding levels among the institutions have changed since the 2001 study.

A key piece of our work involved eliciting input from the most significant stakeholders to help us understand how they perceive the issue and how the issue has evolved over time. We identified these stakeholders as the four-year higher education institutions and the State Board of Education. We also interviewed the state's budget analysts in the Legislature and the Governor's office.

We designed our study to provide independent information for funding decisions that can improve each institution's ability to perform its mission. To achieve this goal, we completed the following tasks:

- Conducted a review of literature to develop an understanding of the general context for higher education funding.
- Reviewed relevant sections of Idaho Code and Idaho Administrative Code to determine what requirements and standards exist for funding higher education.
- Reviewed the board's higher education funding policies to understand the current funding process and to determine what formal policies exist for the equitable allocation of state funds.

- Reviewed historical documents related to funding, such as board meeting minutes, the board's 2002 task force report on funding equity, the board's 2002 audit of the credit hour reporting process, and the 2006 funding equity agreement.
- Reviewed Idaho's 2001 higher education funding equity study and the institutions' responses to it. We also interviewed the MGT consultant who completed the study.
- Analyzed enrollment and funding data provided by the board for trends in the funding levels of the base budget, EWA, and enrollment growth for each institution since fiscal year 2001. We chose fiscal year 2001 to provide historical context and because, at that time, the MGT study concluded that funding was inequitable.
- Analyzed trends in per student funding levels using the Gini coefficient and the coefficient of variation applied to the distribution of general fund dollars per weighted full-time equivalent student. The coefficients were used to summarize differences but not used to determine equity.
- Developed and analyzed alternative scenarios for historic EWA funding levels. This analysis included an examination of the alternative scenarios' effect on differences in per student funding levels from fiscal year 2001 to 2011 if EWA did not exist or if the Legislature had always funded EWA and the board did not hold any institution's base budgets harmless. We compared these scenarios to the actual funding history.
- Interviewed each of Idaho's four-year higher education institutions on multiple occasions to ensure we were able to understand each institution's perspectives, needs, concerns, and potential resolutions to equity concerns.
- Interviewed all members of the State Board of Education to determine each member's perspective on and expectations for equitable funding as well as potential resolutions to equity concerns.
- Worked with board staff, including the current chief fiscal officer and former employees who held the same position.
- Consulted with several legislators and met with officials from the Division of Financial Management and legislative Budget and Policy Analysis.

Responses to the Evaluation



C.L. "BUTCH" OTTER

GOVERNOR

November 22, 2011

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson Street
Boise, Idaho 83702

Dear Rakesh,

Thank you for the opportunity to respond to the Higher Education Funding Equity Report.

The history documented by your investigation suggests that no single State funding equity measure will ever satisfy all stakeholders. In our continuing effort to serve the "customers" of higher education – Idaho students and those who will employ them – the focus must never shift from excellence and new ways to improve and advance our education system.

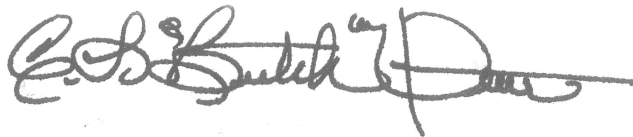
Idaho's future economic prosperity is rooted in access to quality education for Idahoans, who should be the primary driver in any policy change. The Idaho State Board of Education is working toward a goal of achieving 60-percent attainment of post secondary certificates or degrees by Idahoans in the 25-through 34-years age range before the year 2020. National studies indicate that nearly two-thirds of all future jobs will require the knowledge and skills based on those higher levels of instruction. The path forward is clear if Idaho is to be competitive in the global marketplace.

While we are gaining traction on student graduation rates, Idaho's graduation rate remains below a level necessary to meet regional, national and global challenges. During a recent six-year period, graduation rates ranged from under 30 percent to nearly 60 percent of entering student classes at our state institutions. Factors other than Enrollment Workload Adjustment (EWA) need to be taken into account both in terms of rewarding success and motivating action for future improvement. Other than attendance, graduation, metrics registering progress in retention, science-technology-engineering-math (STEM) studies, research and socio-economic goals should be considered.

Varying curriculum, faculty, infrastructure and related research missions may prohibit a perfectly equitable funding formula. The diversity of higher education opportunities in Idaho manifests itself each year when annual budget requests are reviewed for State funding revisions. In recent years, additional State General Fund dollars for new or improved activities have been allocated to individual institutions in the areas of research, health care, and information data system improvements, as well as new facility operations and deferred structure maintenance.

In addition to considering the merits of your report I hope that policy makers and education stakeholders will consider the Idaho State Board of Education's consideration of performance-based university/college budget planning and implementation. Adopting a focus of completion – and specifically the possibility of a system that provides incentives for completion rather than attendance – holds real promise for profound change in Idaho's education landscape. That change can be a catalyst for a broader, more diverse and more successful Idaho.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in black ink, appearing to read "C.L. Butch Otter", with a long horizontal flourish extending to the right.

C.L. "Butch" Otter
Governor of Idaho

CLO/rmb



IDAHO STATE BOARD OF EDUCATION

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November 21, 2011

Rakesh Mohan, Director
Office of Performance Evaluation
954 W Jefferson St.
Boise, ID 83720

Dear Mr. Mohan,

On behalf of the Idaho State Board of Education, I would like to express my appreciation for the opportunity to provide a formal response to your Office's findings, conclusions and recommendations contained in the *Equity in Higher Education Funding* final report.

As summarized in the report, the issue of equity has a long history as it relates to funding of higher education in Idaho. It is a topic that has not been without confusion, controversy and detractors. Nevertheless, I believe the Board has made substantive efforts to address the issue.

The 2001 MGT study produced empirical data upon which the Board Task Force based its recommendation for securing \$7.9 million in new ongoing General Funds to address internal inequity. This became the Board's highest funding priority beginning in the fiscal year 2004 College and Universities' budget request. The actual FY 2004 request took into account fiscal realities and represented only one-fifth of the total amount. The Board intended to make a similar request each year for the following four years, through FY 2008, at which time funding equity would be achieved among the state's four-year institutions of higher education. This assumed, of course, that the Legislature would provide full funding for each year's funding equity and Enrollment Workload Adjustment (EWA) requests. The rest is history – no new General Funds were appropriated for funding equity until the 2006 (FY 2007) settlement agreement. While this was a political agreement brokered between the Board and JFAC, it was a good faith effort to address the funding equity issue identified by the Board Task Force.

As was noted in one of the technical comments to the draft report, critical to this entire discussion is understanding the differentiation between funding *equity* and funding *equality*. Each institution has its own unique role and mission, economies of scale, etc. which makes casual side-by-side comparisons of funding per student (or whatever measure one chooses to use) problematic or even inappropriate for purposes of assessing equity in funding. Therefore, we fully concur that "[b]ecause ... some differences are to be expected, the differences present in the current per student funding levels do not necessarily mean funding is inequitable." In that

regard, we also agree that to empirically determine equity, a standard of equity must first be defined.

Another finding of the report is that if EWA had been consistently and fully funded, differences in funding between the institutions would still remain. We don't dispute the math, but we do note that this "what if" scenario did not factor in funding the entire \$7.9M the Board Task Force recommended which certainly would have mitigated the current differences.

Finally, we acknowledge that EWA was never intended to be used as a means for achieving equity, but rather to keep pace with costs associated with enrollment growth.

The report's recommendations proffer reasonable next steps and inform the discussion, but the Board cannot go this alone. In the final analysis, any meaningful effort to address funding equity will require all affected stakeholders (Board, institutions, Legislature, Governor) to approach the issue with commitment and good faith.

It was a pleasure working with your staff – I want to thank Maureen Brewer and Lance McCleve for their thoroughness and professionalism throughout the course of their work on this evaluation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mike Rush", written in a cursive style.

Mike Rush
Executive Director



November 18, 2011

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson Street
Boise, ID 83720-0055

Dear Mr. Mohan:

First I would like to thank you and your staff for the time and effort you put in to produce this report. We appreciate the willingness to understand all aspects of this complicated issue. Boise State University supports your recommendations that the state should set a standard for equity, and create a formal plan for bringing funding levels in line with that standard.

We believe that all Idaho postsecondary students, in their pursuit of a degree, deserve an equitable share of the state dollars allocated towards higher education, regardless of which university/college they attend. That being said, we also recognize that there are many variables to determining equity so adopting a range for measuring equity may be an acceptable option. In this spirit, we have already begun to work with the State Board of Education staff to review various models for setting a standard and measuring equity.

Our motivation to resolve this issue as quickly as possible has to do with the nearly 20,000 students attending Boise State University that are receiving significantly less access to state funding than their counterparts pursuing the same or similar degrees at other Idaho institutions. The vast majority of these students and their parents are tax-paying Idaho citizens. While we realize that Boise State's upsurge in enrollment coincided with one of the worst economic situations Idaho has faced in many years and funding reductions were widespread, the funding differences for our students continue to grow and it is imperative that the issue be addressed and resolved as expeditiously as possible.

We recognize that implementing the report recommendations will require buy-in and support from the Legislature, the Governor, the State Board of Education and the higher education institutions. We strongly believe that these efforts will benefit all Idaho citizens by providing fair and equitable access towards pursuing and completing their postsecondary education within the Idaho higher education system. We look forward to working with everyone on a solution that can be implemented starting with the 2012 Legislative session.

Thank you for the opportunity to share our view and for all the hard work that went into creating this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Kustra", with a long horizontal line extending to the right.

Bob Kustra,
President

Idaho State UNIVERSITY

Office of the President

921 South 8th Avenue, Stop 8310 • Pocatello, Idaho 83209-8310

November 21, 2011

Mr. Rakesh Mohan, Director
Office of Performance Evaluations
Idaho Legislature
PO Box 83720
Boise, Idaho 83720-0055

Dear Mr. Mohan:

The Enrollment Workload Adjustment (EWA) has been used for many years to calculate an adjusted funding for the College & Universities. Unfortunately the Legislature has not always been able to provide additional funding. This was the issue that the MGT study confirmed. Through the years, funding became inequitable. The Legislature, with the assent of the College & Universities, funded "equity". The current "inequity" has again been driven by the unfunded EWA since that time.

As laid out in the report, there are different ways of looking at "equity" and the use of the enrollment workload policy as a vehicle to provide equitable funding to the College & Universities. Idaho State University believes that the EWA calculation process and the subsequent Legislative funding would provide on-going equity. By design, this equity would be program related (weighted by program cost) and not on a per-capita basis. This helps insure that students have a variety of programs that meet their needs – not just low cost ones. Concerns have been raised about the relative values used in the credit hour weighting. We feel that it is appropriate to review these periodically for validity.

We appreciate the work that the Office of Performance Evaluations has done in documenting the history and issues related to funding equity. We look forward to further discussions.

Sincerely,



Arthur C. Vailas, Ph.D.
President

dh



November 21, 2011

Rakesh Mohan
Office of Performance Evaluations
Idaho State Legislature
954 W. Jefferson St.
P.O. Box 83720
Boise, ID 83720-0055

Dear Mr. Mohan:

Thank you for the opportunity to review the draft of the *Equity in Higher Education Funding* report. And, once again, thank you for highlighting within the report the points we raised on the current equity/Enrollment Workload Adjustment (EWA) process. We at Lewis-Clark State College are confident that you have laid out a clear analysis which will serve the Joint Legislative Oversight Committee well as they consider whether to have the State Board of Education (SBOE) overhaul the current equity policy and its associated funding formula mechanism.

We fully concur with your Recommendation 1: the SBOE, in conjunction with the higher education institutions, develop a policy which explicitly defines goals and standards of the EWA process. We believe the primary goal of those future efforts should be to ensure fair and equitable treatment of students in the system by providing equitable funding, regardless of which public institution of higher education students may choose to attend. In addition, we believe the process that emerges from this effort should include an integral assessment system which validates that any new process is meeting its goals and objectives, as opposed to the current EWA weighting system that has never been validated or adjusted since its inception more than a decade ago.

We envision a new system that supports current SBOE goals and provides funding to incentivize greater access for currently under-served student populations and helps students attain their first degree. As the SBOE crystallizes its views on “primary emphasis areas” for each higher education institution, we would expect any weighting or funding approaches to reflect those priorities, as opposed to the current weighting algorithm which includes a mere 5% weight factor for primary missions, vis-à-vis weights ranging up to 1000% for some post-graduate programs, regardless of primary mission area.

We also concur with the Office of Performance Evaluations Recommendation 2: the SBOE develop an implementation plan to improve equity, once it defines what “equity” means and how it would be measured. The final part of Recommendation 2 suggests the SBOE take into account economic conditions and the availability of State funding as it develops its plan. While the Board is ever-mindful of the limitations of public resources, its first task should be to define goals, propose a plan to attain those goals, and then work closely with the Legislature on matters of financial feasibility and the timing and pace of implementation. We note that, by statute, all state agencies and institutions are directed to coordinate their strategic planning efforts with the Legislature and the respective germane committees. Collaboration among the SBOE, institutions, and Legislature will be essential if a fair and viable process is to be put into place within available means.

Again, thank you for your report, and we look forward to continuing the work that your analysis will launch.

Sincerely,

A handwritten signature in blue ink, reading "J. Anthony Fernández". The signature is fluid and cursive, with the first name "J. Anthony" and the last name "Fernández" clearly legible.

J. Anthony Fernández, Ph.D.
President

November 21, 2011

Rakesh Mohan, Director
Office of Performance Evaluations
Idaho Legislature
PO Box 83720
Boise, ID 83720-0055

Dear Director Mohan:

Thank you for the opportunity to review and respond to the Equity in Higher Education Funding evaluation report. We appreciate the opportunity to provide additional information and interact with members of the study team for this important document.

Executive Summary

Equitable funding is not the same as equal funding. Each of the state's higher education institutions has different roles and missions and therefore these institutions by nature have different cost structures. The University of Idaho believes the State Board of Education did address the equity issue as documented in the March 3, 2006 agreement and defined the needed steps to continue that effort with the Enrollment Workload Adjustment (EWA) process based on previous cost studies. The widening of differences among institutions, based on all General Education appropriated funds per student FTE, is a function of other political decisions made in the legislature and the board. Funding of the EWA would allow institutions to receive the resources needed to meet increases in Idaho resident students served and move that portion of the funding towards equity among all the institutions.

The University of Idaho would like to address the following issues in this response to the report:

Revenue streams from the state to the higher education institutions are based on the unique mission and roles each of them provide to the state. As the Land-grant institution, the University of Idaho's mission encompasses not only education, but also public service and research that has led the University to have 70 physical locations throughout the state, and the reputation of nationally and globally renowned faculty providing cutting-edge research in the obtainment of new knowledge. The areas of public service and research are supported by the state much differently than education, and are not based on weighted full-time student equivalents. Therefore, it is important to note that "equitable" funding does not mean "equal" funding, as the undertone of this report seems to suggest.

Comparisons of total state funding on a per-student FTE or weighted FTE basis can be a reasonably useful measure in comparing institutions with similar roles and missions. The MGT study of 2001 made such a comparison between each Idaho institution and an independently determined set of institutional peers – institutions with like roles and missions. **The MGT study concluded that the University of Idaho was the least well-funded institution in the state, on a dollar per-student basis, when compared with institutions with similar role and mission.**

The weighted full-time equivalent formula used by the State Board was not an arbitrary method contrived without analytical reasoning. About 1975 the State Board of Education mandated each institution in the state conduct an annual cost study, according to National Center for Education Management Systems (NCHEMS) procedures. Each year from about 1978 through 1993 institutional costs were determined not only for instruction, but also research, public service, academic support, student services, instructional support, independent operations and scholarships. Funding levels were adjusted annually through the budget request process, based on head-to-head comparisons of costs for similar academic programs. Unique program costs, such as for agriculture, law, forestry, dentistry, etc. are not subject to adjustments as they are not taught at more than one institution.

The current weighted-credits approach embedded in the Enrollment Workload Adjustment (EWA) removed the troublesome problem of estimating costs yearly and separately at each institution. Instead, weights were assigned to credit hours taught based on standard, nationally established estimates of instructional costs by discipline. The first "PSR 1.5-Annual Credit Hour" reports for the EWA were submitted for fiscal year 1992 and the last "Statewide Cost Study" was based on fiscal year 1993. This overlap allowed for a relatively smooth transition from one model to the other. The concept of funding adjustments based on "resident" credit hours only was introduced in 1994.

It is important to recognize that the separation of costs for instruction, research, public service, etc. is currently embedded in the EWA procedures and relies on *a priori* removal of appropriated funding for non-instructional activities before estimating the value of the weighted credits. A primary rationale behind initially using only 33% of the "Base Less System Needs" in the EWA worksheets was to recognize that much of what colleges and universities do is not instruction. Non-instructional funds were not intended to be redistributed based on student credit hours. There was also some caution initially lest the EWA have unacceptably high consequences for institutional funding. Later adoption of the 67% proportion was largely to recognize that the amounts distributed based on 33% were inadequate to fully fund enrollment growth.

The president of the University of Idaho, along with the presidents of Boise State University and Idaho State University and representatives of the State Board of Education, signed a "Funding Equity Settlement" agreement on March 3, 2006. It was the intent of this action to declare "equity" as of that date, based on studies and negotiations as reported by the MGT report developed in 2002, and also committed the signatories not to raise the issue again. Since that time there has been, as the current report points out, a **minor** widening of per weighted student FTE funding between institutions. That difference can be explained by other legislative priorities to fund activities not based on per-student FTE distribution. The 2006 document is a negotiated political agreement, but, in that regard, is a perfectly valid and appropriate resolution to a fundamentally political issue. The legislature, as a political and deliberative body, regularly makes hundreds of decisions about appropriateness or equity of funding for state programs in the same manner. **Consequently, the agreement is not to be disregarded lightly.** As a statement of agreement in 2006, it clearly supersedes any prior agreement as a basis for understanding and evaluating funding equity among institutions. Since there were funding differences, on a per-student FTE (or weighted FTE) basis at the time that agreement was signed, one must conclude that the authors and signers of the agreement understood that equitable funding was not equal funding on a per-student FTE basis. This is entirely consistent with our material above in which we note the derivation of the EWA funding model and the fact that EWA was not designed to measure appropriate funding over the entire

range of higher education institutional costs. EWA was to address funding for instruction, and the increased cost of instruction as enrollments grew – **and since all four institutions have been funded under the same EWA formula since 2006, on a year by year basis – that is, with respect to instructional funding for enrollment growth the funding has been absolutely equal for each weighted credit hour - it is difficult to see how this can lead to inequity.**

During the coming legislative session all of us in higher education are hopeful that the legislature can find a way to fund a CEC increase (a salary increase); could begin to fund the unfunded occupancy costs of new or remodeled buildings; and can find a way to provide permanent base funding for the Center for Advanced Energy Studies (CAES). In addition, the State Board of Education is moving quickly to implement a Performance Based Funding component to higher education funding in the state. While all of these funding needs are critical to the continued financial health of higher education in the state, none of these funding plans is based on funding on a per-student FTE (or weighted FTE) basis – and that is absolutely appropriate. A CEC is based on an institution's state funded salary and benefit base; occupancy costs are driven by new or remodeled square footage; CAES is an equal, three-way funding to Boise State University, Idaho State University and the University of Idaho. Performance funding, by its very nature, strives to fund based on performance, not on the basis of FTE enrollment. In that context, it is inappropriate to continue to apply a single dimension formula to all of the state funding for higher education – total state dollars per weighted student FTE – as the only measure of funding "equity."

The University of Idaho appreciates the complete review and effort of those at the Office of Performance Evaluations, and the communication throughout the process. In addition, we commend the staff on their professionalism during the process and finally, the opportunity to respond to the contents of this report.

Sincerely,



M. Duane Nellis
President

Office of Performance Evaluations Reports, 2008–Present

Publication numbers ending with “F” are follow-up reports of previous evaluations. Publication numbers ending with three letters are federal mandate reviews—the letters indicate the legislative committee that requested the report.

Pub. #	Report Title	Date Released
08-01	Governance of Information Technology and Public Safety Communications	March 2008
08-02F	State Substance Abuse Treatment Efforts	March 2008
08-03F	Virtual School Operations	March 2008
09-01	Public Education Funding in Idaho	January 2009
09-02F	Higher Education Residency Requirements	January 2009
09-03	Idaho Transportation Department Performance Audit	January 2009
09-04	Feasibility of School District Services Consolidation	February 2009
09-05F	School District Administration and Oversight	February 2009
09-06F	Use of Average Daily Attendance in Public Education Funding	February 2009
09-07F	Child Welfare Caseload Management	February 2009
09-08F	Public Education Technology Initiatives	February 2009
09-09F	Management in the Department of Health and Welfare	March 2009
09-10F	Governance of Information Technology and Public Safety Communications	April 2009
10-01	Operational Efficiencies in Idaho’s Prison System	January 2010
10-02	Increasing Efficiencies in Idaho's Parole Process	February 2010
10-03F	Use of Average Daily Attendance in Public Education	March 2010
10-04	Governance of EMS Agencies in Idaho	November 2010
10-05F	Governance of Information Technology and Public Safety Communications	November 2010
11-01	Distribution and Sale of Liquor in Idaho	January 2011
11-02	Coordination and Delivery of Senior Services in Idaho	February 2011
11-03F	Increasing Efficiencies in Idaho’s Parole Process	February 2011
11-04F	Idaho Transportation Department Performance Audit	March 2011
11-05	Delays in Medicaid Claims Processing	March 2011
11-06	Equity in Higher Education Funding	November 2011
11-07	End-Stage Renal Disease Program	November 2011
11-08F	Distribution and Sale of Liquor in Idaho	November 2011

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