

# Presentation to Faculty Senate

Alternative Funding Models

November 20, 2008

# First Principle: Sustain the University of Rhode Island

State Appropriations on recent trend line

FY07: \$84M

FY08: \$75M

FY09: \$63M (with mid year recessions to come, estimated at \$9-12M, making FY09 \$54M)

FY10: Governor's planning projection prior to current revenue and spending crisis \$57M; from a base of \$54M, \$47M or less likely

FY11: \$40M is a good guess

FY12: \$32M projected

FY13: \$22M projected

FY14: \$15M projected

FY15: \$8M projected

FY16 \$0 projected

# Funding Models

- Current system: Incremental funding for unrestricted general purposes (\$63M in FY09, originally projected at \$57M for FY10, probably less now, perhaps \$47M ).
- Asset protection from Rhode Island Capital Fund (\$4.3M in asset protection) and various one-time grants from this “rainy day” fund.
- General Obligation Debt Service: \$13M, offset by a line appropriation of an equal amount. Prediction that this line will disappear in the near future.

# Alternative Options

- Formula-based funding: State funding is based on a formula, usually a certain sum on a per fte student basis, e.g., \$7000 per FTE student. In most states lagged so that there is time to adjust to sharp decreases or increases. Lag works well with decreasing enrollment but creates problems with increasing enrollments. In my experience, the formula is set up but only partially funded in any given year.

- High tuition/high financial aid, low tuition/low financial aid. In RI, we have a state policy of high tuition/low financial aid. Were we to go to the high tuition/high financial aid model, the state would have to invest in a much larger state scholarship program. Right now, RI financial aid is all need based, but totals only about \$6.4M and goes to any school in which a qualified RI student enrolls. In this current year, those grants total on average about \$1100 per student at URI.

- (The real question for us is institutional financial aid, which next year is budgeted at approximately \$59M. If we were to go to a low tuition/low aid model, we would stabilize or reduce tuition by X and then reduce financial aid by Y or eliminate it altogether. In a high tuition/high aid model, the tuition would need to be set well above the financial aid, creating a larger gap between cost and aid.)

- One tuition system, with the State granting us financial aid for Rhode Island students.

Appropriation limited to that purpose. This concept would allow the price of tuition for all students to float up to market level, while the State would give us the funds to provide a subsidy to RI students. Thus the price to RI students would be full cost, less the state grants for financial aid, distributed equally, or on a need basis or even on a merit basis.

- If we were to assume a total aid subsidy roughly equal to the current state appropriation divided by RI students enrolled ( $\$63\text{M}$  divided by 7100 students), the subsidy would be about  $\$8900$  per student.

# Impact on RI students

- 2008 Cost of attendance: \$24,500
- State scholarship subsidy: \$8,900
- New RI tuition and fees: \$15,610
- Current RI tuition and fees: \$8,500

# A slight variation

- One tuition system, with the State granting the aid subsidy directly to the RI students to be spent at URI. The result for us is likely to be the same, but the political dynamics change.

- In either of these variations, we would still have to consider how we would distribute institutional financial aid to RI students. We could cut the gap for RI students by using some of that aid on a purely needs basis, or we could use it in a more focused way (e.g., to increase minority enrollment). We could also choose to eliminate merit aid for all RI students on based on the idea that the lower tuition was in fact financial aid. There are other options as well.

# Other Changes

- Separating from state government for management purposes:
- +More efficient systems, with some savings to URI.
- (-) Higher cost for URI staffing to accomplish the work now done elsewhere (e.g., payroll)
- Probably greater faculty and staff satisfaction.
- All bargaining units URI specific.

# A different kind of public university

- In essence, a public institution where the state owned the land and the buildings, but the University operated otherwise through its own resources as an independent institution.
- State support for its citizens through scholarship subsidy