

## **Florida Department of Education University Equity Funding Study**

Pursuant to 2002 Legislative action, the State Board of Education is required to conduct an equity funding study:

From the funds in Specific Appropriations 166A through 166C, the State Board of Education shall, by January 15, 2003, provide to the Governor, the President of the Senate, and the Speaker of the House of Representatives an analysis and report of the current status of equity in the Education and General funding of Florida's State University System. The study shall consider the impact of the following issues on the assessment of funding equity: university mission; enrollment by discipline and student course level; special appropriations by the Legislature and other issues as determined by the State Board of Education. The report shall discuss the policy choices available for consideration by the Legislature which could be recognized by an equity funding formula, highlighting the advantages and disadvantages inherent in each choice.

### **Historical Information**

Equity within the state university system of Florida has been an issue over the last several decades. The Board of Regents dealt with this issue on several occasions, at the direction of the Legislature and on its own initiative.

In 1984, the Chancellor of the State University System appointed a task force that ultimately determined that inequities among the institutions existed. The Legislature provided \$2 million in 1984-1985 to two institutions to correct these inequities.

In 1986, the Legislature required the Board of Regents to develop a :

A...written, understandable and objective funding model for requesting, appropriating and allocating resources on an equitable, mission oriented basis among the universities.@

The 1987 Legislature accepted part of the formula and required the Board of Regents to conduct further analysis of other parts of the formula. This analysis was completed and submitted to the 1998 Legislature who then authorized the Board of Regents to use the new formula for requesting and allocating resources. However, this new formula was not used by the Legislature who continued to use a different formula for appropriating resources to the universities.

The question of equity appeared again in the 1991-1992 General Appropriations Act (GAA). Proviso stated:

The study shall include an assessment of the extent to which funds are allocated on an equitable basis for comparable programs across the State University System, including the special unit entities. The study shall also assess the extent to which the need for facilities is being addressed on an equitable basis for each university.

The review was completed by the Postsecondary Education Planning Commission (PEPC), which suggested that the Legislature appoint a task force. The PEPC suggestions led to additional proviso in the 1993-1994 GAA. This proviso required the Board of Regents to:

Adevelop a written, understandable and objective funding model for requesting, appropriating and allocating resources on an equitable, mission oriented basis among the universities.@

Although a new formula was developed, several universities believed the base itself was inequitable and needed to be corrected. University representatives determined that \$30.7 million was needed to resolve the equity issue and that this amount would address the per-FTE (Full-Time-Equivalent) disparities. In January, 1994, the Board of Regents recommended in its amended Legislative Budget Request that half of the \$30.7 million be funded in 1994-1995 and the remaining amount be funded in 1995-1996. The Legislature reacted by appropriating \$30.8 million over a four-year period:

- ! \$5.25 million in 1994-95 to nine universities;
- ! \$5 million in 1995-96;
- ! \$5 million in 1996-97; and
- ! \$15.5 million in 1997-98.

The final 1997-1998 appropriation fulfilled the request that the Board of Regents made in January, 1994.

Before the prior equity issued was fully funded, the Board of Regents approved an equity plan on March 14, 1997 for two universities. This plan was for \$9.6 million. The Legislature appropriated a portion of these funds in 1997-1998 and the remainder in 1998-1999.

During the 2002 Legislative session, the equity issue was raised again and the Legislature responded by appropriating \$9 million spread among four universities. The Legislature also directed the State Board of Education to conduct a study on the current status of equity in state university funding.

### **Definition of Equity**

The presence or lack of funding equity is largely dependent on one's vantage point. In CEPRI's Fall 2002 survey on funding equity, all 11 universities answered "Yes" to the question, "Do you believe there is an equity funding problem among institutions within the State University System?" However, the causes for the perceived equity problem cited were often contradicted by causes given by another university.

This is not a situation new to Florida. The consulting firm, MGT of America, in its December 23, 1991, report on funding process for Florida universities, "An Analysis of the Process Used to Fund the State University System of Florida" stated the following:

*By its very nature, viewpoints on whether equity has been achieved in the allocation of scarce resources - like beauty - is in the eye of the beholder. Even at the conceptual level, consensus on a definition of equity is difficult to achieve.*

Borrowing from CEPRI's December 2002 report, "Equity Funding in the State University System," for the purposes of this study, equity is defined as:

Equity in Educational and General funding is the uniform application of a fair and consistent set of principles and funding factors for all state universities, which allow each university to accomplish its defined mission.

### **University Mission**

To examine funding equity from the vantage point of a university mission, comparisons of revenues per student FTE were made with institutions similar to Florida public universities based on categorizations developed by the Carnegie Foundation for the Advancement of Teaching and the Southern Regional Education Board (SREB). Also, comparisons were made using the public institutions from a list of peer institutions submitted by each university.

Revenue data were obtained from the 1999-00 National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) finance database. Revenues used for this analysis included: tuition and fees revenues, state revenue, and local revenue.

The Carnegie Foundation established, in 1970, a classification system for public and private postsecondary institutions that was modified in 1994 (see Appendix I) and again in 2000 (see Appendix II). The 1994 version of the Carnegie classifications was based on the number of undergraduate and graduate degrees awarded and, for research universities, the amount of federal funding received. The major difference between the 1994 and 2000 versions of the Carnegie classifications is that the latter eliminated the

federal funding criteria and collapsed the two AResearch university@ and two Adoctoral university@ categories into two categories. The result of this change was that many institutions classified as ADoctoral l@ universities under the 1994 classification suddenly became classified in the same category as the institutions previously classified as AResearch l@ universities.

The SREB classification system (see Appendix III) is based principally upon the level and number of degrees awarded as well as the breadth of programs in which the degrees are awarded. Further, the classification of Florida universities has changed over time. See Appendix IV for information on classification changes since 1986-87.

Appendix V lists the peer institutions selected by each university.

Tables 1 and 2 display the results of the comparisons described above. These two tables demonstrate the extent to which a university's funding might be considered Aequitable@ varies depending upon the group with which the comparison is made.<sup>1</sup> This is particularly evident in the case of FIU in which the percentage that FIU's revenue is of their respective peer classification group varies from 67.40 percent (2000 Carnegie) to 95.52 percent (1994 Carnegie), a range of more than 28 percentage points. Note that comparisons for New College of Florida are not available since its revenue data prior to 2001 were included with that of USF in reporting to IPEDS .

<b>Table 1</b>					
<b>Revenue per Student, by Peer Classification Group</b>					
		<b>Peers Classification Group</b>			
<b>University</b>	<b>FL Univ. Revenue</b>	<b>1994 Carnegie</b>	<b>2000 Carnegie</b>	<b>SREB</b>	<b>Self Selected</b>
UF	\$15,858	\$16,399	\$15,143	\$15,749	\$17,639
FSU	\$11,409	\$16,399	\$15,143	\$15,749	\$13,849
FAMU	\$11,498	\$9,402	\$9,318	\$9,924	\$11,045
USF	\$13,436	\$13,330	\$15,143	\$15,749	\$15,430

<sup>1</sup> In viewing FAMU's data, it should be noted that FAMU may appear highly funded in relation to its peers in part because it has received additional state funds resulting from the 1998 Partnership Agreement with the Office of Civil Rights. Also, FGCU's funding is high, compared to its peers, in part because the university is new and is expected to grow rapidly.

FAU	\$11,180	\$10,686	\$11,294	\$11,574	\$11,447
UWF	\$10,945	\$9,402	\$9,318	\$9,924	\$10,000
UCF	\$8,713	\$10,686	\$11,294	\$11,574	\$10,737
FIU	\$10,207	\$10,686	\$15,143	\$11,574	\$14,237
UNF	\$9,083	\$9,402	\$9,318	\$9,924	\$10,103
FGCU	\$15,150	\$9,402	\$9,318	\$9,722	\$9,805
NCF	N/A	N/A	N/A	N/A	\$10,978

<b>Table 2</b>					
<b>Florida University Revenue per Student as Percent of Peer Category, by Peer Group</b>					
		<b>Peer Classification Group</b>			
<b>University</b>	<b>FL Univ. Revenue</b>	<b>1994 Carnegie</b>	<b>2000 Carnegie</b>	<b>SREB</b>	<b>Self Selected</b>
UF	100.00%	96.70%	104.72%	100.69%	89.91%
FSU	100.00%	69.57%	75.34%	72.44%	82.38%
FAMU	100.00%	122.29%	123.40%	115.86%	104.10%
USF	100.00%	100.80%	88.73%	85.31%	87.08%
FAU	100.00%	104.62%	98.99%	96.60%	97.67%
UWF	100.00%	116.41%	117.46%	110.29%	109.45%
UCF	100.00%	81.54%	77.15%	75.28%	81.15%
FIU	100.00%	95.52%	67.40%	88.19%	71.70%
UNF	100.00%	96.61%	97.48%	91.53%	90.00%
FGCU	100.00%	161.14%	162.59%	155.83%	154.52%
NCF	N/A	N/A	N/A	N/A	N/A

In addition to the above comparisons by classification group, a statistical method called factor analysis was used to select approximately 10 peer institutions to develop comparisons of revenue per FTE. Factor analysis identifies underlying variables called **factors** that explain the pattern of correlation

within a set of variables. The factor analysis developed factor scores for each university for each of the variables. Each of the Florida universities' factor scores was compared to the factor scores of the other universities within the comparison group to calculate distance scores. A distance score is the difference between the factor scores. The distance scores were then summed and squared; then the institutions were ranked from low to high based on their square of their summed distance scores. The lower the distance score, the more nearly alike are the two institutions being compared.

The following variables were used in factor analysis to select the peer institutions:

1. Whether the institution is a Land Grant institution
2. Number of full-time undergraduate students
3. Number of part-time undergraduate students
4. Number of full-time graduate students
5. Number of part-time graduate students
6. Number of total students
7. Number of total FTE students
8. Total degrees awarded in:<sup>2</sup>
  1. Agriculture related - CIPs 01, 02 and 03
  2. Science related - CIPs 26, 40 and 51
  3. Engineering related - CIPs 11, 14, 15 and 27
  4. Education - CIP 13
  5. Fine and Applied Arts - CIP 50
  6. Business and Management - CIP 52
9. Number of Faculty employees
10. Number of Professional employees
11. Number of Technical-Paraprofessional employees
12. Total Contract and Grants expenditures
13. Total Associate degrees awarded
14. Total Baccalaureate degrees awarded
15. Total Masters degrees awarded
16. Total Doctoral degrees awarded
17. Total 1<sup>st</sup> Professional degrees awarded
18. Total degrees awarded

To expand the number of institutions under consideration used for factor analysis, two classification categories were selected within each classification system for each university. Table 3 displays the classification categories used for each institution.

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<sup>2</sup> See Appendix VI for information about Classification of Instructional Program (CIP) codes.

<b>Table 3</b>			
<b>Classification Categories Used for Factor Analysis</b>			
<b>University</b>	<b>1994 Carnegie</b>	<b>2000 Carnegie</b>	<b>SREB</b>
UF	Research I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
FSU	Research I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
FAMU	Masters I and II	Masters I and II	Categories 3 and 4
USF	Research I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
FAU	Doctoral I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
UWF	Masters I and II	Masters I and II	Categories 3 and 4
UCF	Doctoral I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
FIU	Doctoral I and II	Doctoral/Research - Intensive and Extensive	Categories 1 and 2
UNF	Masters I and II	Masters I and II	Categories 3 and 4
FGCU	Masters I and II	Masters I and II	Category 5
NCF	N/A	N/A	N/A

Tables 4 and 5 display the results of factor analysis, using the variables and the classification categories listed above, to determine the average revenue per student FTE for each of the classification systems. While the variation from one peer group to another for an individual university is not as wide as that seen when all institutions of the respective classification group were used, there is still an indication that whether an institution's funding can be considered equitable is largely dependent on the institutions to which it is compared.

<p><b>Table 4</b>  <b>Revenue per Student, by Peer Group</b></p>
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University	FL Univ. Revenue	Group From Which Peers Were Selected			
		1994 Carnegie	2000 Carnegie	SREB	Self Selected
UF	\$15,858	\$15,419	\$16,248	\$15,631	\$17,639
FSU	\$11,409	\$12,431	\$13,680	\$11,246	\$13,849
FAMU	\$11,498	\$10,877	\$10,638	\$11,185	\$11,045
USF	\$13,436	\$13,892	\$12,535	\$11,363	\$15,430
FAU	\$11,180	\$9,983	\$10,694	\$11,309	\$11,447
UWF	\$10,945	\$10,766	\$8,923	\$10,353	\$10,000
UCF	\$8,713	\$10,258	\$10,221	\$10,888	\$10,737
FIU	\$10,207	\$9,870	\$10,766	\$10,972	\$14,237
UNF	\$9,083	\$8,309	\$8,294	\$8,701	\$10,103
FGCU	\$15,150	\$10,230	\$9,713	\$9,218	\$9,805
NCF	N/A	N/A	N/A	N/A	\$10,978

**Table 5**  
**Florida University Revenue per Student as Percent of Peers, by Peer Group**

University	FL Univ. Revenue	Group From Which Peers Were Selected			
		1994 Carnegie	2000 Carnegie	SREB	Self Selected
UF	100.00%	102.85%	97.60%	101.46%	89.91%
FSU	100.00%	91.78%	83.40%	101.46%	82.38%
FAMU	100.00%	105.71%	108.09%	102.81%	104.10%
USF	100.00%	96.72%	107.19%	118.24%	87.08%
FAU	100.00%	111.99%	104.54%	98.86%	97.67%
UWF	100.00%	101.66%	122.65%	105.71%	109.45%
UCF	100.00%	84.94%	85.25%	80.02%	81.15%

FIU	100.00%	103.42%	94.81%	93.02%	71.70%
UNF	100.00%	109.43%	109.63%	104.51%	90.00%
FGCU	100.00%	148.10%	155.98%	164.36%	154.52%
NCF	N/A	N/A	N/A	N/A	N/A

### Discipline Mix

The depth and breadth of disciplines offered by our universities vary considerably from one institution to another. The sum of direct and indirect expenditures as reported in the 2000-01 Expenditure Analysis report were used to examine the impact of that variation. Specifically, the system average expenditure by two-digit CIP and level was used for each institution together with each institution's fundable credit hours by level and two-digit CIP to determine the institution's overall average expenditure per FTE.

Use of this systemwide common set of cost factors eliminated the variation due to differences in funding and allowed an examination of the effect of the discipline mix and mix of instructional levels. That is, the analysis would illuminate those institutions which have a relatively expensive set of disciplines vs. those with a relatively inexpensive set. The difference between the most expensive and the least expensive set of disciplines was nearly \$1,200 per FTE.

Table 6 displays the results of the above described analysis.

<p align="center"><b>Table 6</b>  <b>Actual Expenditures for Instruction vs. Expenditures</b>  <b>at System Average for Disciplines and Level</b>  <b>Based on 2000-01 Expenditure Analysis, Full Expenditures for Instruction</b></p>							
Univ.	Actual Expend.	Average* Expend.	Actual Over or (Under) Average	Expend. per FTE		Rank of Expend. per FTE	
				Actual	Avg.	Actual	Avg.
UF	\$311,841,344	\$322,896,501	(\$11,055,157)	\$9,916	\$10,268	6	2
FSU	\$254,625,441	\$230,212,880	\$24,412,561	\$11,109	\$10,044	5	4
FAMU	\$115,808,215	\$79,014,851	\$36,793,364	\$13,902	\$9,485	2	8
USF	\$195,822,017	\$206,238,379	(\$10,416,362)	\$9,820	\$10,342	7	1
FAU	\$130,899,287	\$116,477,026	\$14,422,261	\$11,329	\$10,080	4	3
UWF	\$56,424,895	\$44,788,639	\$11,636,256	\$11,545	\$9,164	3	10
UCF	\$176,819,870	\$203,337,341	(\$26,517,471)	\$8,443	\$9,709	10	7

FIU	\$164,010,797	\$187,636,512	(\$23,625,715)	\$8,638	\$9,882	9	5
UNF	\$69,206,401	\$68,529,998	\$676,403	\$9,442	\$9,350	8	9
FGCU	\$31,013,427	\$18,989,546	\$12,023,881	\$15,934	\$9,757	1	6
<b>Max minus min:</b>					\$1,179		

### Special Appropriations

The issue of special appropriations and their impact on university expenditures per FTE has been an issue at times. Generally, special appropriations could be defined as those appropriations that were not included in the agencies= or universities= legislative budget request and are limited to one or a few institutions. These appropriations are generally targeted to a special activity. These types of appropriations vary from year to year and from university to university.

If the assumption is made that >equity= was achieved in 1994-1995 with the appropriation of more than \$30 million, then only the specials appropriated since this time would be in question. Whenever an appropriation was made for a particular issue, universities were asked to provide information on the number of faculty and support positions that it would take to implement the issue. More than 70% of the universities budget goes toward employee salaries, with an additional 20% for expenses and operating capital outlay.

Going beyond the >special= appropriation issues, for each issue appropriated by the Legislature, the universities were asked to identify the number of FTE positions (faculty and support staff) for each issue and whether or not that FTE position was assigned to enrollment instruction and research, non-enrollment instruction and research, or other instructional area (Appendix VII). This worksheet included all issues, whether they were increases or decreases. After each university reviewed their information, the average salary of faculty and support was used to determine a cost factor. In addition, expense and operating capital outlay factors were included. These values were then compiled and a total non-enrollment related instruction and research special was identified for each university. These specials totaled more than \$115 million.

The 2002-2003 estimate for instruction and research expenditures totals \$2,011,744,570 for an average of \$12,879 per FTE student. If the non-enrollment related instruction and research specials are deducted, this leaves \$1,896,223,251 or an average of \$12,140 per FTE student.

As shown on Table 7, the ranking of expenditures per FTE student changes slightly after adjusting for non-enrollment related instruction and research specials. The top three and bottom three institutions remain in the same order. FAMU=s funding is higher than its peers because of the additional funds provided as a result of the 1998 Partnership Agreement with the Office of Civil Rights. Included in the 2003-04 Legislative Budget Request are funds to complete this agreement.

<p align="center"><b>Table 7</b>  <b>Rank of Expenditures per FTE</b>  <b>Based on Estimated 2002-03 I&amp;R Expenditures</b></p>							
	2002-2003 Total Estimated Instruction & Research (I&R) Expenditures	2002-2003 Planned Enrollment	I&R Expenditures per FTE Student	RANK	Non-Enrollment Related I&R Specials	I&R Expenditures per FTE Student after Specials	RANK
UF	\$418,045,375	32,414	\$12,897	5	\$25,528,434	\$12,109	6
FSU	\$335,621,621	24,771	\$13,549	3	\$24,688,443	\$12,552	3
FAMU	\$137,580,763	8,779	\$15,672	1	\$10,739,336	\$14,448	1
USF	\$291,688,736	20,949	\$13,924	2	\$10,147,981	\$13,499	2
FAU	\$172,131,791	13,033	\$13,207	4	\$12,100,754	\$12,279	5
UCF	\$265,043,466	22,850	\$11,599	8	\$16,690,986	\$10,869	8
FIU	\$236,029,384	20,140	\$11,719	7	\$11,859,556	\$11,131	7
UWF	\$69,189,062	5,395	\$12,825	6	\$2,745,538	\$12,316	4
UNF	\$86,414,372	7,869	\$10,982	9	\$1,020,292	\$10,852	9
Tot/Avg.	\$2,011,744,570	156,200	\$12,879		\$115,521,319	\$12,140	

If the intent is to have all universities= instruction and research funded equally, and using FAMU as the benchmark, additional funding of \$436 million would be needed to achieve a per FTE student average of \$15,672. To get to the highest per FTE student costs after adjusting for specials, an additional \$360 million would be needed. A smaller amount of additional funding would be needed if there is the desire to have a lower per FTE student cost.

Comparing universities among themselves presents challenges in that universities have different missions and characteristics. Using the 1994 Carnegie classifications and comparing universities results in another scenario as outlined in Table 8.

<p align="center"><b>Table 8</b>  <b>Expenditures per FTE</b>  <b>Before and After Non-enrollment Related I&amp;R Specials</b>  <b>by 1994 Carnegie Classifications</b>  <b>Based on Estimated 2002-03 I&amp;R Expenditures</b></p>
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	2002-2003 Total Estimated Instruction & Research (I&R) Expenditures	2002-2003 Planned Enrollment	Estimated I&R Expenditures Less Specials	I&R Expenditures per FTE Student after Specials Deducted	RANK	Addl Funds to Achieve Highest per FTE Student	Addl Funds to Achieve Avg. per FTE Student
<b>RESEARCH I</b>							
UF	\$418,045,375	32,414	\$392,516,941	\$12,109	3	\$43.1M	\$16.1 M
FSU	\$335,621,621	24,771	\$310,933,178	\$12,552	2	\$22M	\$1.3M
USF	\$291,688,736	20,949	\$281,540,755	\$13,499	1	\$0	\$0
Avg. \$12,606							
<b>RESEARCH II</b>							
FAU	\$172,131,791	13,033	\$160,031,037	\$12,279	1	\$0	\$0
UCF	\$265,043,466	22,850	\$248,352,480	\$10,869	3	\$32.2M	\$9.6M
FIU	\$236,029,384	20,140	\$224,169,828	\$11,131	2	\$23.1M	\$3.2M
Avg. \$11,291							
<b>COMPREHENSIVE</b>							
FAMU	\$137,580,763	8,779	\$126,841,427	\$14,448	1	\$0	\$0
UWF	\$69,189,062	5,395	\$66,443,524	\$12,316	2	\$11.5M	\$1.8M
UNF	\$86,414,372	7,869	\$85,394,080	\$10,852	3	\$28.3M	\$14.1M
Avg. \$12,643							
Total						\$160.2M	\$46.1M*

\*This assumes that the universities above the average would be held harmless.

### **Current Funding Model**

The current funding model, modified pursuant to directives in the 1997 proviso, provides funding per level (lower, upper, graduate I and graduate II) based on each university's cost per FTE student in instruction, academic administration, academic advising, libraries, student services, university support and 10% research.

For the last two years certain costs such as academic administration, university support, student services, and research have been funded at 42% of the university average and academic advising and library activities have been funded at 100% of the university average. So in essence, each university has been funded at their instructional costs, but at the system level for other costs. This has had an impact on the amount of funding each university received compared to their expenditures per student. Thus, through the current funding model the Legislature has attempted to equalize funding for areas that support instruction by using the system average or a portion of the system average.

Over the years, funding for enrollment growth has varied depending on several factors including the relative economic health of the state, the amount of growth being funded and the needs for resources for other state programs. Funding for doctoral instruction (Advanced Graduate or Grad II) appears to have been reduced over time. The 1974-75 State University System of Florida Allocation Document shows the following funding per student (four-quarter FTE) for enrollment growth:

<b>Instructional Level</b>	<b>Funding per FTE</b>
Lower level	\$1,232
Upper level	\$1,679
Beginning Graduate	\$2,491
Advanced Graduate	\$7,427

This represents a 3 to 1 funding ratio between doctoral and masters level instruction and a 6 to 1 funding ratio between doctoral and lower level undergraduate instruction. By the 1991 MGT equity study, all graduate programs were funded at the same rate and graduate classroom instruction was funded at 1.4 times the rate of lower level instruction. As mentioned above, in 1994-95, the Legislature adopted a new funding formula for enrollment growth that combined doctoral and masters programs, then based calculations on the combined actual expenditures for each university. The effect was to lower the rate at which doctoral programs were funded. At a later point, doctoral programs were once again reflected separately in the formula. As shown in Table 9, the current ratio of doctoral instruction to lower division undergraduate instruction varies by university but is much lower than in 1974-75:

<b>Table 9</b>								
<b>Ratio of Advanced Graduate to Lower Level Undergraduate Funding, 2000-01</b>								
<b>UF</b>	<b>FSU</b>	<b>FAMU</b>	<b>USF</b>	<b>FAU</b>	<b>UWF</b>	<b>UCF</b>	<b>FIU</b>	<b>UNF</b>
3.78 to 1	3.53 to 1	4.46 to 1	3.11 to 1	3.03 to 1	3.05 to 1	4.56 to 1	3.16 to 1	2.95 to 1

### **Policy Options**

2. **Equity comparisons among peers could be made using one of several options:**
  1. **Use peers selected by each university.** The advantage of using university selected peers is that the university administrators know the university's programs better than

others and can make informed judgements as to which institutions are most nearly like theirs. However, there is a strong tendency for an institution to select institutions to which it aspires to be similar. This aspirational bias can lead to a perceived inequity when none exists.

2. **Use the 1994 Carnegie classifications.** The Carnegie Foundation classification system was used for many years as the defining process of categorizing institutions. While it may have been appropriate in 1994 to use this classification system, the relative immaturity of Florida's public universities and their fast growth leads to obsolete groupings.
  3. **Use the 2000 Carnegie classifications.** The 2000 version of the Carnegie classification system is a work in progress. While it may be more up-to-date than the 1994 version, it suffers from having collapsed the heretofore four categories of research and doctoral institutions into only two categories and it no longer takes into account federal funds received for research and training. In 2005 when the revision of the classification system is complete, it could be considered again.
  4. **Use the SREB classifications.** The Southern Regional Education Board's classification system is based largely on the depth and breadth of graduate degrees awarded. While the SREB classification system does not consider outside funding of research in determining an institution's classification, its use of the number of degrees awarded, the types of degrees and the number of programs in which degrees are awarded results in meaningful categorizations of institutions.
  5. **Use a statistical methodology such as Factor Analysis or Cluster Analysis to select peers for each university.** While use of a statistical technique is appealing from the standpoint of it being objective and data-driven, obtaining agreement on which variables to use and how they should be used can become a nearly insurmountable hurdle.
3. **Continue using the current funding model.** The current funding model provides a simplified method of funding incremental enrollment growth based on legislative appropriations and university funding decisions. The model encourages universities to spend state dollars in the instructional areas as the funding for growth is based on instructional activity expenditures per FTE. Components of this model can and have been equalized (as discussed earlier in the Current Funding Model section) to provide the same per pupil funding for all universities. For example, a policy decision could be made to fund all undergraduate FTE at the system average and graduate FTE at each university's per pupil average, or vice versa. This method of funding could provide equity for the incremental funding of enrollment growth, but not necessarily solve past alleged inequities.

4. **A staffing model similar to the one developed by the universities in 1988 could be updated for use as the university enrollment growth funding model.** The 1988 model provided funding by course level for each of three levels of instructional intensity. The intensities reflect three groupings disciplines based on similar instructional costs. Use of that model would help avoid inequities that might occur as the result of growth in high-cost disciplines vs. low cost disciplines.

One significant change to the 1988 model that could be considered is to use, rather than the respective university's average, the SREB Faculty average salaries, by SREB category, to fund Faculty positions. Use of the SREB Faculty average salaries would automatically adjust a university's enrollment growth funding as it moves from one category to another and would help eliminate any effects of historical inequity.

1. **The staffing model could be used for just enrollment growth FTEs.** Limiting the staffing model's use to just those FTEs associated with enrollment growth would be relatively easy to implement. However, it would have less impact on any residual inequity than would be the case if the model were used for zero-based enrollment funding.
  2. **The staffing model could be used for zero-based enrollment funding.** Subjecting all of a university's enrollment, as opposed to just that associated with enrollment growth, would eliminate the equity problem created by one or more universities growing rapidly in times of lean resources, thereby resulting in a lower level of funding for their growth FTE. On the other hand, if resources are exceptionally tight, it could cause considerable fluctuation in a university's resources from year to another.
5. **Use regional cost differentials where appropriate.** The State of Florida has long recognized differences in the cost of living to establish minimum salaries for career employees. However, to the extent that Faculty are recruited on a national basis, as opposed to local or regional, it becomes inappropriate to set Faculty salaries based on the cost of living. Therefore, it would not be appropriate to adjust an institution's total funding based merely on differences in the cost of living in its local area. Utilities may be another area in which significant cost differences could be considered.
  6. **Equity funding could be reviewed about every five years to assure that inequities have not been introduced into the funding process.** Funding should be reviewed on a periodic basis to make sure that inequities have not resulted from addition of new programs, growth in certain programs vis-a-vis others or from other factors. In particular, funding should be viewed vs. national peers to assure that our universities remain competitive.

6. **An analysis of funding equity could be developed by an external group.** An analysis of equity could be developed by an external organization that could be free to analyze equity in the manner if felt appropriate or it could be instructed to use an agreed upon methodology and criteria. The pre-determined methodology and criteria could be developed in collaboration with the state universities, the Legislature, and Governor's office with the intent of providing the basis for the appropriate level of funding vis-a-vis peer institutions across the nation.