



# Massachusetts Board of Higher Education

## Budget Formula

### Background

Massachusetts public higher education institutions are required by law<sup>1</sup> to submit annual budget requests which are based upon a "budget formula." The budget formulas determine total operating requirement and are used to allocate state support in a manner that is transparent, equitable, based on quantifiable data and reflects the unique characteristics of each institution.

There are currently two budget formulas in use within public higher education - one for the state and community colleges and another for the University. These formulas have been used for a number of years as the basis of the annual BHE budget request on behalf of the campuses, and the subsequent allocation of state support among the institutions. The formulas have wide support of amongst the 29 institutions of public higher education. In 2005, the Massachusetts Senate Task Force on Higher Education reaffirmed its support for the budget formulas:

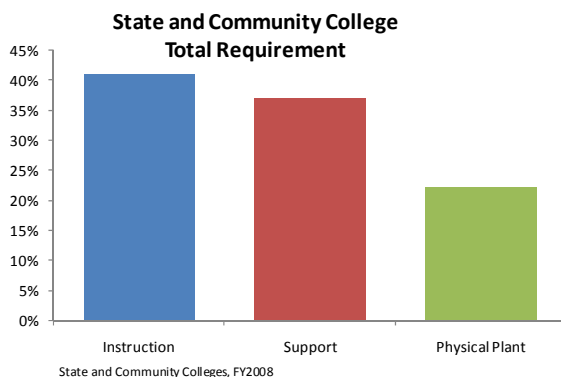
*"When... aggregated, the formula therefore produces a reasonable estimate of what it should cost to operate a campus of a given mission, size and composition at a reasonable level of quality."<sup>2</sup>*

The budget formula is premised on both aspirational and policy targets. Aspirations targets include student-faculty ratios for different course types, spending on support services consistent with national peer institutions, and maintenance hours and salaries consistent with regional averages. Policy targets include the goal that no less than 75% of faculty is full-time and 5% of building value is spent each year on facility improvements.

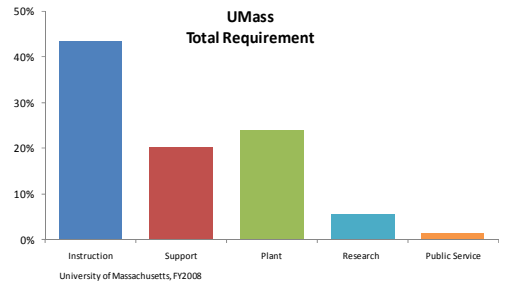
### Formula Details

The UMass and State and Community College budget formulas use a wide variety of financial and institutional metrics in order to determine annual total operating requirement. The functional areas included in the formulas correspond to national IPEDS<sup>3</sup> definitions, enabling comparisons between Massachusetts institutions and national peers.

Both formulas include three primary functional areas:



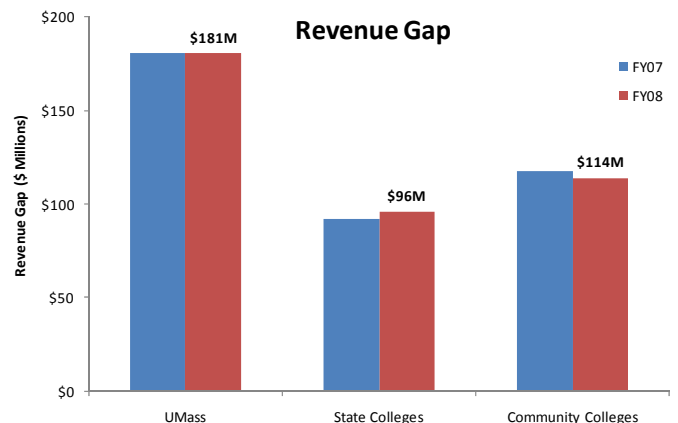
(1) **Instruction:** faculty and support staff; (2) **Support Services:** academic support (library), student services (admissions, counseling, financial aid guidance), and institutional support (accounting, finance); and (3) **Physical Plant:** facility and grounds maintenance, utilities, and an allowance for capital adaptation and renewal. The UMass formula also includes university-specific factors, like research and public service.



### Recommendation

Currently, total revenue<sup>4</sup> only covers 80% of the total operating requirement, leaving a significant *revenue gap* (difference between the total requirement and total revenue received). Since FY06, the BHE budget request on behalf of the colleges and the university has been premised on closing the gap in seven years or less. The resulting annual appropriation has failed to keep pace with this goal.

The BHE will continue advocating for closure of the revenue gap, ensuring our institutions have the resources available to provide a quality education at a level that is comparable to our national peers.



<sup>1</sup> Chapter 15A, Section 15B of the Massachusetts General Laws

<sup>2</sup> Senate Task Force on Higher Education, 2005.

<sup>3</sup> IPEDS is the core postsecondary education data collection program for the National Center for Education Statistics.

<sup>4</sup> \*Total revenue from state appropriations, student charges and fringe benefit support