



PA State System of Higher Education Board of Governors

Effective: May 15, 1984

Page 1 of 3

Policy 1984-06-A: *Allocation Formula*

See Also:

- 24 P.S. §20-2002-A(b)
- Section 3 of Act 188

Adopted: May 15, 1984

Amended: July 26, 1985; April 18, 1991;
October 20, 1994; April 9, 1998; July 10, 2003;
July 19, 2007; July 8, 2014; and June 15, 2022

A. Purpose

The Allocation Formula policy is developed in alignment with Section 2003-A of Act 188, which defines the purpose of the State System to provide high quality education at the lowest possible cost to students. The primary mission of the System is the provision of instruction for undergraduate and graduate students to and beyond the master's degree in the liberal arts and sciences and in applied fields, including the teaching profession.

Act 188 provides that funds appropriated to the State System by the Commonwealth shall be allocated to the individual institutions on a formula based on, but not limited to, such factors as enrollments, degrees granted and programs. The Allocation Formula policy is to establish the method by which the Board of Governors distributes the Pennsylvania State System of Higher Education's Educational and General (E&G) appropriation to System entities and System-wide initiatives.

B. Definitions

Educational and General—All activities and resources that support the educational mission of the System or university, including unrestricted functions of instruction, research, public service, academic support, institutional support, scholarship and fellowship, and operations and maintenance of plant activities. Auxiliary and restricted activities are excluded.

Full-Time Equivalent (FTE) Student—The total credit hours attempted, throughout all terms within a fiscal year, divided by 30 for undergraduate and 24 for graduate students. Clock-hour enrollment is converted to credit hours based upon national standards. FTE calculations for the purposes of the allocation formula include both in- and out-of-state students. This includes all degree and non-degree credit bearing students.

System Entity—A university of the Pennsylvania State System of Higher Education or the Office of the Chancellor.

C. Funding of System-Wide Initiatives, Programs, and Entities

The Board of Governors annually allocates a portion of the E&G appropriation for System-wide initiatives, programs, and entities.

1. Annually, the Board of Governors will determine what, if any, System-wide initiatives are to be funded from the E&G appropriation. System-wide initiatives may include, but are not limited to, professional development funds, replenishment of the System Reserve, and the Internal Audit and Risk Assessment Program.
2. The Office of the Chancellor will be funded annually at 0.5 percent of the E&G appropriation, as authorized in Act 188 of 1982.

D. Allocation Formula

The remaining E&G appropriation is allocated to the System universities through a base allocation formula that consists of two components: Core Operations and Enrollment.

1. Core Operations Component—

The core operations component of the formula is designed to provide funding to cover expenses associated with running a university, regardless of the number of students, as well as differentiate by the mission and integration status. The core operations component is scaled to reflect a higher core funding component for universities with fewer students and a lower component for universities with higher enrollments, recognizing some economy of scale as well as balancing the enrollment-driven components of the formula.

The core operations component shall not exceed 25 percent of the total appropriation allocated to the universities. Any decrease beyond 0.5 percentage points from the 25 percent requirement shall require Board approval. The core operations shall differentiate for PhD-granting universities, to acknowledge the higher cost of producing research doctorates, and for recently integrated universities, to acknowledge the partial duplication of student services required across the three geographical regions.

2. Enrollment Component—

The enrollment component comprises the remaining percentage of the total appropriation allocated to the universities. The enrollment component shall include a base student FTE as well as support specific student categories based on Board priorities, as outlined in the Procedure/Standard.

The base student FTE shall represent the majority of the enrollment component funding, with the additional categories, in aggregate, representing less than the base student FTE.

The specific calculations associated with each formula component shall be outlined in an associated Procedure/Standard.

E. Implementation

Procedure/Standards, and guidelines as necessary, will be issued to ensure proper transition into and implementation of this policy.

The allocation calculations will be adjusted annually to reflect changes in appropriation funds received and the associated enrollment variables utilized in the formula components, as outlined in the Procedure/Standard. In accordance with Act 188, the Allocation Formula policy establishes the method by which the Board of Governors distributes the Pennsylvania State System of Higher Education's Educational and General (E&G) appropriation to System entities and System-wide initiatives. All E&G appropriated funds will be allocated to individual universities in accordance with the policy and published procedures. This policy does not allow for any use of E&G appropriated funds for any purpose outside those contained within this policy.

If a university requires additional funding (one-time investments, loans, etc.) those funding actions shall be made in accordance with the appropriate Board policy and direction.

The allocation formula policy and procedure will be reviewed within five years by the Executive Leadership Group for its continued appropriateness.