

PART I: PUBLIC COLLEGES AND UNIVERSITIES

I. CORE FUNDING:

In the development of the core funding component of the formula funding strategy, the following goals were emphasized:

- Address equity concerns.
- Develop a formula that recognizes differences in institutional missions.
- Include both qualitative and quantitative factors with enrollment features that encourage some campuses to grow and others to raise admission standards consistent with mission, community, and state needs.
- Recognize special programs such as desegregation and land grant programs that have been funded separately.
- Build in incentives that promote good academic and financial management.

To address these goals, the Board of Regents included in the core funding component of the formula the following subcomponents:

A. Mission Related Funding Targets

The Board of Regents adopted the use of the SREB categories with selected modifications for classification of institutions. The modifications include a “filtering” approach for four-year institutions using three subcategories within each SREB Classification:

- First Quartile
- Middle 50% (second & third Quartiles)
- Fourth Quartile

By using a “filtering” approach the formula recognizes the significant differences that sometimes exist among institutions within the broad SREB classifications, and it prevents a radical shift in classification and funding caused by a slight change in the number of degrees conferred.

Each institution’s category is determined by the criteria established by SREB. The placement in a Quartile within the category is based on the number of doctorates or advanced degrees conferred by the institution. The range of degrees within each Quartile as determined by the latest published SREB degree data will

serve as the criteria for a three-year period. Annually, updated degree data for Louisiana's institutions will be examined for placement of institutions within Quartiles. Movement between Quartiles by institutions due to changes in SREB categorization or degrees conferred will be limited to one Quartile per year. A more detailed explanation of the method of determining the range of degrees used within each Quartile will be discussed under the section "Calculation of the Core Component" later in this document.

B. High Cost Academic Program Factor

The mission related funding target (as reflected by SREB categorization) is a primary factor in the core component of the formula. However, within a category, institutions have different academic program offerings with different costs. To adjust for academic program cost differences, a relative cost weighting approach developed by the Texas Higher Education Coordinating Board is used. The cost from Texas parallel other states with typically the most expensive costs incurred for programs in nursing, other health-related programs, and engineering. While the SREB averages take into account costs by level to some extent, using the Texas weighting approach provides an additional adjustment to account for differences in instructional costs.

Student Credit Hour (SCH) data for each Louisiana campus will be analyzed using the instructional weighting criteria. If an institution has a higher overall academic factor weighting than the average of other Louisiana institutions in its category, then a percentage adjustment will be made to that institution's funding target. For example, if a campus had a weighting factor 10% higher than the average of other institutions within its SREB category, then a 10% "academic cost factor" will be added for instructional cost. For formula purposes, instructional cost has been determined to be 50% of the standard SREB funding rate.

A more detailed explanation of the method of determining the "academic cost factor" will follow in the later section "**Calculation of the Core Component, Step 4.**"

C. Enrollment Factor

Recognizing the potential effects of the expansion of the new community and technical college system and the imposition of admission standards at ~~our~~ 4 Year universities, the formula will use a three-year moving average FTE enrollment factor to provide a more stable funding base. The moving average will be phased in with the first year being FY 2001-2002. While it is appropriate that 4 Year institutions have the benefit provided by the three-year moving average FTE enrollment factor, this approach resulted in a penalty for emerging and growing 2 Year institutions. Therefore, beginning with FY 2006-2007, the formula will use

the immediate previous year of FTE enrollment for 2 Year institutions and a three-year moving average FTE enrollment (immediate three previous years) for 4 Year institutions. Further, in the case of decreased enrollment at 2 Year institutions resulting from a natural disaster, the three-year moving average can be used for the 2 Year institutions.

D. Special Programs and Other Non-Formula Items

Certain special programs such as the desegregation settlement agreement and land grant programs that do not have a student base should be funded separately and should be considered non-formula items. The desegregation settlement agreement should be considered non-formula for the term of the settlement agreement. The Desegregation Settlement Agreement has expired as of June, 2006, and funding formerly associated with that agreement is now considered general funding for formula purposes. Other items that are considered non-formula include appropriations for lease of facilities and financial aid to non-accredited emerging community colleges.

II. QUALITY/CAMPUS IMPROVEMENT AND STATE PRIORITIES

This component of the funding formula has as its overarching goals the following:

- Emphasize differences in mission and target resources to strategic programs.
- Connect funding policies with values and strategies identified in the Master Plan.
- Allocate resources to support the state's economic development goals.
- Encourage institutions to build other sources of revenue including private contributions.
- Encourage efficiencies and good management practices, including reallocation of institutional resources.
- Provide resources to support a quality learning environment.

To address these goals, the Board of Regents will seek funding to create a Quality Improvement Program that will target resources to institutions for developing programs of regional and national eminence. Awards will be made through a qualitative evaluation based on certain criteria such as the program's relationship to the institutional functional mission, achievement of overall state economic development goals, and other established criteria. Once these criteria and goals are established, they will be contained as an appendix to this section. Funding of this

component would be in addition to the Core Funding.

III. PERFORMANCE INCENTIVE INITIATIVES

This component of the formula is designed to reward institutions for high performance and to provide an incentive for institutional improvement. Performance Incentive Funding would be in addition to the Core Funding component. Appropriate evaluation mechanisms based on nationally recognized and accepted standards and definitions will be used to determine the performance and functional accountability of institutions in the following areas:

- Student charges/costs, including tuition rates and financial aid.
- Student advancement, including continuing students, transfer students, graduation rate, licensure pass rate, and placement per employment reports.
- Program viability, including accreditation information.
- Faculty activity, including salaries and work description.
- Administration, including best practices and efficiency.
- Mission specific goals unique to each institution to include addressing the social, cultural, and economic development needs of the service area.

The Board of Regents will work with each institution to develop the criteria to be used by that institution for this component. Evaluation models will be developed to determine the amount of funds that each institution will receive from the Performance/Incentive pool.

This component will be implemented as funding becomes available.

CALCULATION OF THE CORE COMPONENT

STEP 1 Determine the SREB Category

At the beginning of each fiscal year, the Board of Regents will determine the appropriate SREB Category for each institution using the latest published data from the SREB State Data Exchange. The SREB system for categorizing post secondary institutions is designed for interstate comparisons and is based on a number of factors relevant to determining resource requirements. Differences in institutional size, role, breadth of program offerings and comprehensiveness are the factors upon which institutions are classified. **The SREB Definitions of Institutional Categories and the classification of Louisiana institutions by the SREB State Data Exchange are contained as Appendix A, Item 1 and Item 2. The SREB Category to be used for all 2 Year Community Colleges will be the “All 2**

Year Institutions”. The SREB Category to be used for all Technical Community Colleges will be the average of the “All 2 Year Institutions” and the “All Technical Institutes or Colleges”.

STEP 2 Determine the Quartile within the SREB Category

At the beginning of each fiscal year, the Board of Regents will determine the appropriate Quartile within each SREB category for each formula unit. A “filtering” approach for four-year institutions providing three subcategories within each SREB Classification will be used:

- First Quartile
- Middle 50% (second & third Quartiles)
- Fourth Quartile

The placement in a Quartile within the category is based on the number of doctorate degrees conferred for institutions classified as SREB Four-year I and II institutions and the number of total advanced degrees conferred for institutions classified as SREB Four-year III, IV, and V institutions. **The range in number of designated types of degrees within each Quartile will be determined using the latest published SREB State Data Exchange data contained in the Analysis of Institutional Classification. (See Appendix A, Item 3, pages 1-8).** The Quartiles and the ranges within each Quartile will be updated every three years. During this three-year period (FY 2001-2003) there will be no changes to the criteria and/or ranges. **Two-year institutions will be placed in the middle quartile.**

Method for Establishing Quartiles and Ranges within each Quartile.

From the data contained in the SREB State Data Exchange Analysis of Institutional Classification, each SREB institution within each SREB category will be ranked based on the number of appropriate advanced degrees conferred. The bottom 25% of the ranking will be in the First Quartile, the next 50% will be in the Middle Quartile, and the top 25% will be in the Fourth Quartile. Once the Quartiles are established, the ranges within each Quartile must be determined. The range for the First Quartile will begin with the minimum number of degrees required for that category and end with one less than the number for the first institution in the next Quartile. The range for the Middle Quartile will begin with the number of degrees conferred by the lowest ranked institution in that Quartile and end with one less than the first number in the Fourth Quartile. The range in the Fourth Quartile will begin with the number of degrees conferred by the lowest ranked institution in that Quartile and end with the highest number of degrees conferred

in that Quartile.

Annually, the Board of Regents will determine the appropriate placement of Louisiana's institutions within the Quartiles. The latest degree data from the Board of Regents' Statewide Completers System - Program Completers by Major CIP Category [program id (cmplcipg)] will be the source data for this placement. The appropriate number of doctorates or advanced degrees conferred by each institution will determine its placement within the ranges of each Quartile. Movement between Quartiles by institutions due to changes in SREB categorization or degrees conferred by that institution will be limited to one Quartile per year. **A chart of the categories and the ranges for each category is contained as Item 4, page 1 in Appendix A. An example of determining the Quartiles for the Four-Year I category is included as Item 4, page 2.**

STEP 3 Determine the SREB Funding per Full-Time Equivalent (FTE)

The formula is designed to fund Louisiana's institutions at an average state appropriation per FTE student comparable to institutions within the SREB states. The SREB State Data Exchange provides state funding data for each of the states within SREB. The specific approach used in this formula matches the placement of institutions in the Quartiles as described above with appropriate average SREB funding levels. The funding for the Middle Quartile is based on the SREB average funding per FTE as listed in the SREB State Data Exchange. While many of Louisiana's institutions are placed in the Middle Quartile, some of the institutions are in the First and Fourth Quartiles of their categories. The SREB average funding is adjusted accordingly. Funding for institutions in the First Quartile will be less than the SREB average dollar per FTE, while institutions in the Fourth Quartile will be funded more than the average dollar per FTE. A matrix of funding is attached as Appendix A, Item 5, page 1.

Method for Determining the Funding Per FTE

The SREB State Data Exchange Table - State and Local General Operating Appropriations Per FTE Student (Appendix A, Item 5, page 2) is used to identify SREB average appropriations per FTE. The SREB average dollar per FTE for each SREB category will be the funding amount for the Middle Quartile for each corresponding category in the formula.

The funding for the First Quartile of Category 1 is the average of the value for the Middle Quartile of Category 1 and the value for the Middle Quartile of Category 2. The Fourth Quartile of Category 1 is an equal dollar amount greater than the Middle Quartile value as the First Quartile value is less than the Middle Quartile value. For Example, if the First Quartile is \$375 less than

the Middle Quartile, then the Fourth Quartile would be \$375 greater than the Middle Quartile. (See Table 1 below for detailed exposition of calculations).

The funding for the First Quartile of Category 2 is the average of the values for the Middle Quartile of Category 2 and the Middle Quartile of Category 3. The Fourth Quartile of Category 2 is the same dollar amount as the First Quartile of Category 1, the average of the values for the Middle Quartile of Category 1 and the middle Quartile of Category 2.

The funding for the First Quartile of Category 3 is the average of the Middle Quartile of Category 3 and the Middle Quartile of Category 4/5. The Fourth Quartile of Category 3 is the same dollar amount as the First Quartile of Category 2.

The Fourth Quartile of Category 4/5 is the same as the First Quartile of Category 3. The First Quartile of Category 4/5 will be the same dollar amount less than the Middle Quartile as the Fourth Quartile is greater than the Middle Quartile.

TABLE 1

	<u>Q1</u>	<u>MID Q</u>	<u>Q4</u>
SREB CAT 1	A	B	C
SREB CAT 2	D	E	F
SREB CAT 3	G	H	I
SREB CAT4/5	J	K	L

CALCULATION OF FUNDING FOR EACH QUARTILE

	<u>Q1</u>	<u>MID Q</u>	<u>Q4</u>
SREB CAT 1	$(B+E)/2$	SREB AVG*	$B+(B-A)$
SREB CAT 2	$(E+H)/2$	SREB AVG*	$(B+E)/2$
SREB CAT 3	$(H+K)/2$	SREB AVG*	$(E+H)/2$
SREB CAT4/5**	$K-(L-K)$	SREB AVG*	$(H+K)/2$

*SREB AVG taken from SREB DATA EXCHANGE, State and Local General Operating Appropriations Per FTE Student Table.

** SREB Averages from Category Four and Category Five are averaged and used as the funding amount in the formula.

EXAMPLE OF CALCULATION OF FUNDING FOR EACH QUARTILE: (based on FY 2006-07 formula)

	<u>Q1</u>	<u>MID Q</u>	<u>Q4</u>
SREB CAT 1	\$6,474	\$6,849	\$7,224
SREB CAT 2	\$5,609	\$6,099	\$6,474
SREB CAT 3	\$5,045	\$5,119	\$5,609
SREB CAT4/5	\$4,864	\$4,970	\$5,045

STEP 4 Determine the High Cost Academic Program Factor

The SREB dollar per FTE funding target is a primary factor in the core component of the formula. However, **within categories, institutions have different academic program offerings with different costs. To compensate for overall academic program cost differences, the Texas weighting approach was used.** The cost from Texas parallel other states with typically the most expensive costs incurred for programs in nursing, other health-related programs, and engineering. Using the academic cost factor provides an additional adjustment to account for differences in instructional costs.

Method for Determining the Academic Cost Factor

The institutions submit their SCH production using the Board of Regents' Student Credit Hour Reporting System three times each year. The documentation and reporting forms can be found on the Board of Regents website (www.regents.state.la.us). The Student Credit Hour Reporting System is a database consisting of information on course offerings of Louisiana Postsecondary institutions, including course taxonomy and student enrollment statistics. The paramount purpose of this system is to produce an accurate record of total student credit hour production by academic term/year, institution, CIP code, and student level.

The SCH data from each institution is assessed using the Texas Weighting Approach (Appendix A, Item 6). An institution's SCH Production is applied to the Texas matrix of relative cost indices which results in an "adjusted" total SCH value. This adjusted SCH value is then compared to the institutions within its SREB Category. An analysis of these revised SCHs is used to determine the relative position of those institutions within each SREB Category. Institutions with relatively higher "adjusted" SCH production have a percentage adjustment made to its dollar per FTE. The Academic Cost Factor Chart and an example of calculating the Academic Cost Factor are included in Appendix A, Item 7 pages 1 & 2.

STEP 5 Determining the Academic Adjustment Amount

The Academic Adjustment Amount is the dollar figure that will be added to the SREB dollar per FTE to take into account the relatively more expensive mix of academic program offerings of an institution.

Method for Determining the Academic Adjustment Amount

The Academic Adjustment Amount is determined by multiplying the SREB Dollar per Full-Time Equivalent (\$/FTE) by the Academic Cost Factor percentage. This amount is then multiplied by 50% to determine the amount that is related to the instructional cost. For formula purposes, the instructional cost has been estimated to be 50% of the total cost.

STEP 6 Determining the Adjusted SREB Dollar per Full-Time Equivalent

The Adjusted SREB \$/FTE is the value that will be used to determine the funding level for each institution. It will approximate the amount of funding per FTE of comparable institutions within the SREB.

Method for Determining the Adjusted SREB Dollar per Full-Time Equivalent

The Adjusted SREB \$/FTE is determined by adding the SREB \$/FTE from the appropriate quartile with the dollar amount for the Academic Adjustment Amount. This total is the value that will be used to determine the full funding level for each institution.

STEP 7 Determining the Full-Time Equivalent Enrollment

The full-time equivalent (FTE) enrollment will be used to determine the funding level of each institution. **The FTE enrollment is derived from the Statewide Student Credit Hour Report. SCHs from the summer, fall, winter, and spring terms will be converted to FTEs using the SREB guidelines.** Institutions should use the Statewide Student Credit Hour Reporting System to submit their SCHs.

Method for Determining the Full-Time Equivalent Enrollment

FTE enrollment is calculated using the SCH data submitted by each institution. In accordance with SREB guidelines, FTE enrollment is calculated as follows:

1. Annual undergraduate credit hours for semester systems are divided by a 30 credit hour per year measure;
2. Annual graduate hours for semester systems are divided by a 24 credit hour per year measure;

The undergraduate and the graduate FTEs are added together to get the total FTE enrollment for each institution.

STEP 8 Determining the Base Formula Requirement

The Base Formula Requirement is the level of funding required to approximate the funding level of comparable SREB institutions. This level of funding would provide the basic operational needs for each institution.

Method for Determining the Base Formula Requirement

The Base Formula Requirement is determined by multiplying the Adjusted SREB \$/FTE by the total number of FTEs for each institution. Beginning with the FY 2001-2002 budget request, a 3-year average of FTEs will be used (current year plus the immediate two previous years). Beginning with FY 2006-2007, the formula will use the immediate previous year of FTE enrollment for 2 Year institutions and a three-year moving average FTE enrollment (immediate three previous years) for 4 year institutions. In the case of decreased enrollment at 2 Year institutions resulting from a natural disaster, the three-year moving average can be used for the 2 Year institution. An example of the FTE enrollment is included in Appendix A, Item 8.

STEP 9 Determining the Formula Implementation Rate

The Formula Implementation Rate is the level of current funding compared to the full funding level.

Method for Determining the Formula Implementation Rate

The Formula Implementation Rate is determined by dividing the available formula appropriation by the Base Formula Requirement. The formula appropriation is the total state dollars available less any non-formula funding items. **A listing of the non-formula items by institution is contained in Item 9 in Appendix A.** State dollars available for formula purposes will include the amount in the appropriations bill plus any special allocation provided from pool funds (as those are determined).

FORMULA FUNDING MODEL FOR PUBLIC COLLEGES AND UNIVERSITIES

The results of the steps above will provide the Formula Funding Model for Public Colleges and Universities.