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Commissioner of
Higher Education



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Edward D. Markle
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Patrick J. Harrington, Student

BOARD OF REGENTS

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AGENDA
FINANCE COMMITTEE
Thursday, December 10, 2015
10:45 a.m.
Thomas Jefferson Room 1-136 A&B
Claiborne Building
1201 North Third Street
Baton Rouge, Louisiana

- I. Call to Order
- II. Roll Call
- III. Approval of the Response to Act 462 of the 2014 Regular Legislative Session
- IV. Other Business
- V. Adjournment

Members: Edward Markle, Chair; Raymond Brandt, Vice Chair; Marty Chabert; Joel Dupré; Joseph Farr; Patrick Harrington; Robert Levy; Gray Stream; Collis Temple III; LCTCS Representative; LSU System Representative; SU System Representative; and UL System Representative

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Executive Summary






Response to Act 462 of the 2014 Regular Session

In response to Act 462 of the 2014 Regular Session, the Board of Regents and each public postsecondary education system jointly and collaboratively developed the proposed comprehensive outcomes-based funding formula model. The proposed funding model is based on a redesigned cost portion and a newly developed outcomes portion that aligns with the requirements of Act 462. This proposed formula methodology shall be implemented immediately in accordance with the Board of Regents' constitutional responsibility to develop a funding formula for the equitable distribution of funds as a component of the Master Plan for Public Postsecondary Education. At this time, the overall distribution will be divided between the cost and outcomes calculations to avoid dramatic swings in total funding between institutions. In subsequent years, the goal is to increase the proportion of total funding allocated to institutions utilizing the outcomes metrics for each institution type. It is anticipated that there will be additional refinements to both the cost and outcomes components of the proposed funding model based on further analysis and discussions with stakeholders. In addition, funding needs for the specialized institutions will be calculated using the funding models developed in response to House Concurrent Resolution 134 (HCR 134) of the 2014 Regular Session.

Recommendations to the Board of Regents

The Commissioner of Higher Education and president of each public postsecondary education system recommend the Board of Regents approve the proposed outcomes-based funding formula and related policy and statutory changes provided in this report. The Commissioner of Higher Education shall submit the report, the proposed outcomes-based funding formula, and the board's comments and recommendations to the Senate Committee on Education, the Senate Committee on Finance, the House Committee on Education, and the House Committee on Appropriations. The Commissioner of Higher Education and the public postsecondary system presidents shall collectively re-evaluate the funding formula at least once every two years and submit a report regarding the formula's effectiveness and the performance of each postsecondary institution to the appropriate legislative committees.

The figures below illustrate cost methodology changes and outcomes-metrics within the newly developed model.

<u>Current Two & Four Year Cost Calculations</u>		<u>Proposed Change</u>
Cost to operate institution's buildings determined by static dollar amount per net assignable square foot		Consumer Price Index is tied to the dollar amount per net assignable square foot cost to accurately determine cost to operate
Institution's research space is given the same cost per net assignable square foot as other space		Research space is more costly to operate and is assigned an increased cost
Fringe benefits rate for institutions does not include health benefits		A factor for including health benefits in the fringe benefits rates has been included to more accurately reflect cost
Student course withdrawals are subtracted from an institution's cost		Student course withdrawals are included in an institution's cost and are integrated into the outcomes portion via completers
Strategic initiatives are included in the cost calculation		Strategic initiatives are removed as a cost to institutions, but are integrated into the outcomes portion of the formula

GRAD ACT Performance Objectives and Outcomes-Based Funding Formula Metrics

GRAD ACT	Outcomes Based Funding Formula Measure
Student Success	Retention/Progression: Enrollment counted at the student level, by the accumulation of credit hours Completers by Degree Level: Certificate, Diploma, Associate, Baccalaureate, Graduate
Articulation and Transfer	Number of Students Cross Enrolled at Two and Four-Year institutions Number of Transfers from Two-Year to Four-Year institutions
Workforce, Economic Development	Number of Completers in Programs Leading to 4 & 5 Star Jobs Undergraduate Adult Completers Age 25 and Above Grant Funded Research
Efficiency and Accountability	Time-To-Award for Students Earning an Associate Degree Time-To-Award for Students Earning a Baccalaureate Degree (both Native and Transfer-Ins) Enrollment and Completion of Students on Pell

**RESPONSE TO ACT 462
OF THE 2014 REGULAR SESSION
OF THE LOUISIANA LEGISLATURE**



LOUISIANA BOARD OF REGENTS

DECEMBER 2015

LOUISIANA BOARD OF REGENTS

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REGENTS

TABLE OF CONTENTS

<i>Executive Summary</i>	4
<i>Introduction</i>	5
<i>Brief History of Funding Formulas</i>	5
<i>Conceptual Framework</i>	9
<i>Recommendations</i>	14
<i>Appendix</i>	15

Executive Summary

In response to Act 462 of the 2014 Regular Session, the Board of Regents and each public postsecondary education system jointly and collaboratively developed the proposed comprehensive outcomes-based funding formula model. The proposed funding model is based on a redesigned cost portion and a newly developed outcomes portion that aligns with the requirements of Act 462. This proposed formula methodology shall be implemented immediately in accordance with the Board of Regents' constitutional responsibility to develop a funding formula for the equitable distribution of funds as a component of the Master Plan for Public Postsecondary Education. At this time, the overall distribution will be divided between the cost and outcomes calculations to avoid dramatic swings in total funding between institutions. In subsequent years, the goal is to increase the proportion of total funding allocated to institutions utilizing the outcomes metrics for each institution type. It is anticipated that there will be additional refinements to both the cost and outcomes components of the proposed funding model based on further analysis and discussions with stakeholders. In addition, funding needs for the specialized institutions will be calculated using the funding models developed in response to House Concurrent Resolution 134 (HCR 134) of the 2014 Regular Session. The subsequent sections of this response provide a brief history of funding formulas, outline the current formula funding structure in Louisiana, provide a conceptual framework and provide recommendations to the Board of Regents.

Recommendations to the Board of Regents

The Commissioner of Higher Education and president of each public postsecondary education system recommend the Board of Regents approve the proposed outcomes-based funding formula and related policy and statutory changes provided in this report. The Commissioner of Higher Education shall submit the report, the proposed outcomes-based funding formula, and the board's comments and recommendations to the Senate Committee on Education, the Senate Committee on Finance, the House Committee on Education, and the House Committee on Appropriations. The Commissioner of Higher Education and the public postsecondary system presidents shall collectively re-evaluate the funding formula at least once every two years and submit a report

regarding the formula's effectiveness and the performance of each postsecondary institution to the appropriate legislative committees.

Introduction

Act 462 of the 2014 Regular Legislative Session by Senator Appel provides for the development of an outcomes-based funding formula for public postsecondary education that incorporates certain formula components, an implementation timeline, and reporting requirements. As required, the Board of Regents and each public postsecondary education system jointly and collaboratively reviewed the current formula, developed a comprehensive outcomes-based formula that conforms to the requirements of Act 462, consulted relevant stakeholders, and made recommendations for changes to the Master Plan for Higher Education and the Louisiana Granting Resources and Autonomy for Diplomas (LA GRAD) Act to facilitate implementation of an outcomes-based funding formula.

Brief History of Funding Formulas

Funding formulas for public postsecondary education have been used on the state-level for over 60 years.¹ Formula funding methodologies were first implemented in Texas when dramatic enrollment increases in the 1940's resulted in a lobbying campaign for additional funds by Texas' public colleges. Lawmakers felt the appropriation of funds based solely on each college's level of influence was inequitable and sought a systematic way to allocate funds based on the actual needs of the institutions. Over the next decade, studies covering the role and scope of institutions and their program costs paved the way for the creation of a group of formula calculations to fund public higher education.¹ Today, a majority of states utilize funding formulas to develop budgets and allocate resources to public higher education institutions.

¹ "Formula Funding Study – Nevada System of Higher Education." MGT of America, Inc. May 1, 2011. Accessed November 5, 2015. <http://system.nevada.edu/Nshe/index.cfm/initiatives/formula-funding-study/>.

Creating an “optimal formula” can be an elaborate undertaking due to vast differences in institutional missions and capacities of institutions to fulfill their missions, even when institutions operate within the same system. Funding formulas can be used to provide a “fiscal base” to which funding can be adjusted, if necessary. A study performed by MGT of America, Inc. (2011) delineates a variety of reasons why states use funding formulas:

- Formulas provide an objective method to determine institutional needs equitably;
- Formulas reduce political competition and lobbying by the institutions;
- Formulas provide state officials with a reasonably simple and understandable basis for measuring expenditures and revenue needs of campuses and determining the adequacy of support;
- Formulas enable institutions to project needs on a timely basis;
- Formulas represent a reasonable compromise between public accountability and institutional autonomy;
- Formulas ease comparisons between institutions;
- Formulas permit policy makers to focus on basic policy questions.

Current Formula Funding Structure in Louisiana

The Board of Regents is required by the Louisiana Constitution (Article VIII, Section 5 [D][4]) to develop a funding formula for the equitable distribution of funds as a component of the Master Plan for Public Postsecondary Education. The existing public postsecondary funding formula generates an initial request for state funding from the legislature based on a cost calculation. A base Student Credit Hour cost (base SCH cost) is determined for a lower level undergraduate liberal arts student credit hour by considering faculty salaries of peer institutions, retirement costs, the current average Louisiana class size, annual student workloads, and an additional customary calculation for institutional instruction, research, academic support and student services. A cost matrix based on the Texas Higher Education Formula is utilized to determine weights by discipline for academic and technical courses that have a higher cost than the base

student credit hour (SCH) value. Weighted SCHs are calculated by multiplying the appropriate student level SCHs and the cost matrix value. The summation of all weighted SCHs multiplied by the base SCH cost results in the calculated Core Cost Component for each institution. At this point, weighted course withdrawals are removed yielding the End of Course (EOC) Core Cost Component. An additional 10% of the Total Cost Component value is added based on institutional involvement in strategic initiatives. The strategic initiatives and their allocations are as follows:

- *Pell*: 5% shared among institutions that serve populations of Pell Grant recipients. Three percentage points of this allocation is distributed to institutions with recipients above the state average. Two percentage points are assigned on a pro-rata share based on the number of low-income Pell Grant recipient students institutions serve as compared to the overall total.
- *Workforce*: 3% shared pro rata among all institutions based upon graduates who completed programs that lead to jobs in high demand fields in Louisiana's workforce. Funding is based on the number of students receiving degrees or certificates in programs rated a four or five on the Workforce Investment Council's Star Rating System.
- *Research*: 2% shared pro-rata among all institutions based upon federally sponsored research conducted at the institution as reported to the National Science Foundation.

Two remaining components are Operations and Maintenance (OP&M) and General Support. OP&M is defined as a base cost per square foot multiplied by the Net Assignable Square Footage reported in the BOR facilities database as reported by each institution. General Support is defined as a percentage of the institution's SREB category's budget dedicated to general support activities of the institution. General Support does not include instruction or research activities. The total cost calculation is a summation of the EOC Core Cost Component, OP&M, General Support and the strategic initiatives. The formula requests the state's share of funding by multiplying the total cost calculation by a state share ratio for each institution's respective peer category. The inputs for the state share ratios are derived from the latest state share data published in the SREB State Data Exchange.

Due to severe reductions in state support for higher education since FY 2008-2009, a stop-loss mechanism was incorporated into the formula to limit the reduction of any institution's budget from formula distributed funds compared to pro-rata, across the board cuts. For instance, if the stop-loss in a given year was determined to be 5%, then no institution in a given fiscal year would be allowed to take more than a 5% budget cut. If the formula determined that an institution's budget was to be reduced by greater than 5%, then the reduction above 5% for that respective institution would be distributed to all institutions funded by the formula. However, a predetermined stop-loss percentage would be theoretically negated if an overall budget reduction for higher education was insurmountable. The current funding model is not designed to distribute budget reductions, but aims to distribute new monies to the institutions equitably based on their cost.

Specialized Institution Models

As a result of HCR 134 of the 2014 Regular Session, two formulas were developed for specialized institutions within Louisiana's higher education system that did not previously utilize a formula to determine funding need. The formula developed for the two LSU Health Sciences Centers in Shreveport and New Orleans identifies a suitable state share of funding based on national average of salaries for instruction, a Net Assignable Square Feet (NASF) per Full-time Student Equivalent (FTSE) calculation based on the Texas model for infrastructure, a research component based on a three year average of indirect costs, and a general and administrative element based on national averages from the Integrated Postsecondary Education Data System (IPEDS) database. The formula developed for the Pennington Biomedical Research Center and the Louisiana State University and Southern University Agricultural Centers is based on enhancing innovation and properly funding faculty, facilities and equipment necessary to conduct research. Funding is based on a ratio of institutional to state share responsibilities. The ratio will be adjusted each year by the change in the Consumer Price Index for All Urban Consumers (CPI-U). Performance metrics for the specialized institution formula models are currently under development.

Conceptual Framework

The goal of this response is to introduce a comprehensive outcomes-based funding formula model that conforms to the requirements of Act 462.

The Board of Regents held meetings with various public and private sector stakeholders to solicit feedback in accordance with Act 462. Recommendations submitted by the stakeholder groups were considered as higher education leaders reviewed the existing funding formula and formulated an outcomes-based formula funding methodology. A formula group consisting of representatives from each postsecondary education system, the Department of Economic Development (LED), the Louisiana Workforce Investment Council and the Board of Regents convened weekly to develop the proposed outcomes-based funding formula methodology presented in this response.

Two Year and Four Year Models

The proposed comprehensive funding model is based on a redesigned cost portion (Figure 1) and a newly developed outcomes portion (Figure 2) that aligns with the requirements of Act 462. Two year and four year institutions have differing roles, scopes, and missions. Therefore, the two year model differs from the four year model in the following ways:

- Cost weighting differentiation based on varying SREB peer group salary data, course offerings, enrollment of Pell grant students, research, degree level, space utilizations, and support services.
- Outcomes metrics based on completer levels, transfers, completers in high demand fields (4 & 5 star jobs), time-to-award, and completion of students receiving the Pell grant.

Overall funding will be split between institution types, i.e., two year and four year. The funding split will be calculated by aggregating the costs associated with each institution by type (two year and four year), and dividing that amount by the total. These two separate amounts are then

allocated, by institution, based on the respective calculated funding model. At this time, the overall distribution will be divided between the cost and outcomes calculations to avoid dramatic swings in total funding between institutions. In subsequent years, the goal is to increase the proportion of total funding allocated to institutions utilizing the outcomes metrics for each institution type. It is anticipated that there will be additional refinements to both the cost and outcomes components of the proposed funding model based on further analysis and discussions with stakeholders. In addition, funding needs for the specialized institutions will be calculated using the funding models developed in response to HCR 134 of the 2014 Regular Session.

Figure 1.






<u>Current Two & Four Year Cost Calculations</u>		<u>Proposed Change</u>
Cost to operate institution’s buildings determined by static dollar amount per net assignable square foot		Consumer Price Index is tied to the dollar amount per net assignable square foot cost to accurately determine cost to operate
Institution's research space is given the same cost per net assignable square foot as other space		Research space is more costly to operate and is assigned an increased cost
Fringe benefits rate for institutions does not include health benefits		A factor for including health benefits in the fringe benefits rates has been included to more accurately reflect cost
Student course withdrawals are subtracted from an institution’s cost		Student course withdrawals are included in an institution’s cost and are integrated into the outcomes portion via completers
Strategic initiatives are included in the cost calculation		Strategic initiatives are removed as a cost to institutions, but are integrated into the outcomes portion of the formula

Figure 1 illustrates the proposed change in cost methodology present in the newly developed model.

The outcomes portion comprises redesigned metrics derived from the LA GRAD Act and newly developed metrics incorporated to incentivize institutions to achieve the desired outcomes of Act

462. Previous LA GRAD Act metrics that were not relevant to the requirements of Act 462 were excluded. As a result of Act 359 of 2015, institutions that receive acceptable audit reports are granted certain operational autonomies through the LA GRAD Act. The formula measures in Figure 2 illustrate the consideration of:

- The role, scope, and mission of each institution;
- The significant emphasis on student success factors and institutional outcomes in the formula;
- The incentives necessary to achieve desired outcomes of Act 462;
- The alignment of postsecondary degree production with economic development and workforce needs.

Figure 2.

GRAD ACT Performance Objectives and Outcomes-Based Funding Formula Metrics	
GRAD ACT	Outcomes Based Funding Formula Measure
Student Success	Retention/Progression: Enrollment counted at the student level, by the accumulation of credit hours Completers by Degree Level: Certificate, Diploma, Associate, Baccalaureate, Graduate
Articulation and Transfer	Number of Students Cross Enrolled at Two and Four-Year institutions Number of Transfers from Two-Year to Four-Year institutions
Workforce, Economic Development	Number of Completers in Programs Leading to 4 & 5 Star Jobs Undergraduate Adult Completers Age 25 and Above Grant Funded Research
Efficiency and Accountability	Time-To-Award for Students Earning an Associate Degree Time-To-Award for Students Earning a Baccalaureate Degree (both Native and Transfer-Ins) Enrollment and Completion of Students on Pell

1. Student Success Incentives

- a. Retention and Progression

- i. Weights are applied to each student level, with heavier weights being applied to higher student levels.

- b. Completers

- i. Weights are applied to each completer level to incentivize institutions.

2. Articulation and Transfer Incentives

- a. Number of Students Cross Enrolled at Two and Four Year institutions

- i. Weights are applied to each student of a two year institution that is also enrolled at a four year institution.

- b. Number of Transfers from Two to Four Year institutions

- i. Weights are applied to each student that transfers from a two year to a four year institution.

3. Workforce and Economic Development

- a. Number of Completers in Programs leading to 4 & 5 Star Jobs

- i. Weights are applied to completers in programs leading to 4 & 5 star jobs. Institutions are incentivized to counsel students toward academic programs that will offer them the best opportunity for career growth and high wages in Louisiana.

- b. Undergraduate Adult Completers Age 25 and Above

- i. Weights are applied to completers in the adult population. Institutions are incentivized to address the growing need in the state to educate nearly 1.7 million working adults in Louisiana without a post-secondary credential. (Source: LWC Long-term Occupational Forecast and the Louisiana Community and Technical College System)

- c. Grant Funded Research

- i. Grant funded research is measured by research expenditures per research faculty member. Institutions are incentivized to increase the amount of grant-funded research performed by faculty.

4. Efficiency and Accountability

- a. Time-To-Award for Students Earning an Associate Degree

- i. Weights are applied to the amount of time a student takes to earn a degree.

- Heavier weights are applied to students who earn a degree in less time.
- b. Time-To-Award for Students Earning a Baccalaureate Degree (Both Native and Transfer-Ins)
 - i. Weights are applied to the amount of time a student takes to earn a degree. Heavier weights are applied to students who earn a degree in less time.
 - c. Enrollment and Completion of Students on Pell
 - i. The Pell metric represents at-risk or low-income students that are enrolled or complete at an institution. The Pell metric is significant, considering low-income or at-risk students are sometimes underprepared and can be more costly for institutions to serve. Pell students are given higher weights than non-Pell students to incentivize institutions to enroll and graduate at-risk or economically disadvantaged students. Therefore, institutions are encouraged to serve the 19.1% of Louisiana’s population that is below the poverty level. (Source: US Census Bureau, 2009-2013)

Alignment of Formula Models with Economic Development and Workforce

The Louisiana Workforce Investment Council’s Star Jobs Rating System ranks occupations in Louisiana by a combination of long term and short term employment projections by occupation, available openings, and wages. 4- and 5-Star Jobs are recognized as offering the best opportunities for career growth and high wages to Louisiana job seekers. A crosswalk is incorporated to connect occupations classified by Standard Occupation Code (SOC) to academic programs, classified by Classification of Instructional Programs (CIP) code. LED classifies academic programs into three Tiers: Tier 1 Programs supply 4- and 5-Star Jobs critical to economic driver industries, Tier 2 programs supply 4- and 5-Star Jobs critical to healthcare education and police and firefighting services, and Tier 3 programs supply all other 4- and 5-Star Jobs. LED’s “Tier” methodology was approved by the Occupational Forecasting Conference on November 24, 2015.

LED assigned weights to academic programs within the outcomes-based funding model based on

their Tier status, with Tier 1 programs weighted the highest, Tier 2 programs weighted significantly, and Tier 3 programs weighted the least, but nevertheless recognized as providing potential value to students. Tier 1 and Tier 2 programs were then adjusted upward if they were in significant areas of undersupply as determined by the Louisiana Workforce Investment Council and LED. Some Tier 1 weights were adjusted downward if programs exist that were better aligned to the needs of the workforce. Thus, all programs leading to 4- and 5-Star Jobs are weighted beneficially, with additional recognition given to those programs that address acute workforce needs in Louisiana.

Recommendations

In response to Act 462 of the 2014 Regular Session, the Board of Regents and each public postsecondary education system jointly and collaboratively developed the proposed comprehensive outcomes-based funding formula model. The Commissioner of Higher Education and president of each public postsecondary education system recommend the Board of Regents approve the proposed outcomes-based funding formula and related policy and statutory changes provided in this report. The Commissioner of Higher Education shall submit the report, the proposed outcomes-based funding formula, and the board's comments and recommendations to the Senate Committee on Education, the Senate Committee on Finance, the House Committee on Education, and the House Committee on Appropriations. The Commissioner of Higher Education and the public postsecondary system presidents shall collectively re-evaluate the funding formula at least once every two years and submit a report regarding the formula's effectiveness and the performance of each postsecondary institution to the appropriate legislative committees. This proposed formula methodology shall be implemented immediately in accordance with the Board of Regents' constitutional responsibility to develop a funding formula for the equitable distribution of funds as a component of the Master Plan for Public Postsecondary Education.

SENATE BILL NO. 337

BY SENATORS APPEL AND THOMPSON

1 AN ACT

2 To enact R.S. 17:3129.2, relative to public postsecondary education; to provide for the
3 development of an outcomes-based funding formula for postsecondary education;
4 to provide relative to formula components and a timeline for implementation of the
5 formula; to provide for submission to the Board of Regents; to provide for reporting
6 requirements; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 17:3129.2 is hereby enacted to read as follows:

9 **§3129.2. Postsecondary education; outcomes-based funding formula; creation;**
10 **components; approval; implementation; reports**

11 **A. The legislature finds that:**

12 **(1) There is a direct correlation between postsecondary educational**
13 **attainment, individual earning power and quality of life, and the overall**
14 **economic health and prosperity of the state.**

15 **(2) Alignment of postsecondary program offerings with economic**
16 **development and workforce needs and increased emphasis on the production**
17 **of postsecondary degrees and certifications that provide the holder with greater**
18 **earning potential are necessary and essential to the state's economic well-being**
19 **and the welfare of the people of Louisiana.**

20 **(3) The number of Louisiana residents with postsecondary degrees and**
21 **certificates must significantly increase in order to meet the state's current and**
22 **projected workforce demands.**

23 **(4) Any measurement of the success of Louisiana's postsecondary**
24 **educational system must necessarily include indicators that compare the**

1 performance of individual institutions to that demonstrated by statistically peer
2 institutions across the country.

3 (5) The current retention, completion, and graduation rates of most of
4 Louisiana's public colleges and universities are below regional and national
5 averages, and it is both responsible and in the best interest of the state to
6 allocate educational resources in a manner that effectively supports our public
7 postsecondary institutions and promotes and prioritizes outcomes at the campus
8 level.

9 (6) The state's Master Plan for Postsecondary Education and
10 postsecondary education funding formula must reflect student and state
11 priorities and promote and drive the changes needed to make Louisiana's public
12 postsecondary educational system more productive, more efficient, more
13 affordable, more accountable, and better aligned with the state's economic
14 development and workforce needs.

15 B. The commissioner of higher education and the president of each
16 public postsecondary education system shall jointly and collaboratively:

17 (1) Review the postsecondary education funding formula and develop
18 a comprehensive outcomes-based funding formula that ensures the equitable
19 allocation of state funds to public postsecondary educational institutions,
20 appropriately considers costs, places significant emphasis on student and
21 institutional outcomes, and aligns with the state's economic development and
22 workforce needs.

23 (2) Consult with and solicit meaningful feedback and guidance from
24 institutional presidents, chancellors, faculty, chief academic officers, chief
25 financial officers, students, and business and civic leaders.

26 (3) Make recommendations for any changes needed in the Master Plan
27 for Postsecondary Education and the Louisiana Granting Resources and
28 Autonomy for Diplomas Act as provided in R.S. 17:3139, et seq., to support and
29 facilitate implementation of the outcomes-based funding formula.

30 C. In creating the outcomes-based funding formula, the commissioner

1 of higher education and the postsecondary system presidents shall focus upon
2 developing the optimal methodology by which to allocate postsecondary funding
3 in a manner that provides incentives for institutions to achieve desired
4 outcomes. The following factors shall be considered and included in the formula
5 as deemed appropriate:

6 (1) Student success factors, including retention, timely progression
7 toward degree completion, cost of completion, certificate and degree
8 production, and successful transfer of students from community and technical
9 colleges to four-year degree-granting institutions.

10 (2) Alignment with economic development and workforce needs,
11 including certificate and degree production in science, technology, engineering,
12 mathematics, and other high-demand fields and the potential earning power of
13 graduates.

14 (3) Research and innovation, including research expenditures,
15 technology transfer, and commercialization.

16 (4) Funding, including credit hour costs and cost of certificate and
17 degree completion.

18 (5) Any other factor or metric that would promote desired student and
19 institutional outcomes.

20 **D. The outcomes-based funding formula shall:**

21 (1) Appropriately consider the role, scope, and mission of each
22 postsecondary institution.

23 (2) Establish a concise set of outcomes to be measured for each
24 postsecondary institution and define metrics for each outcome that are reliable,
25 accurate, nationally recognized, and benchmark the performance of each
26 institution compared to its statistical peers in other states, wherever valid
27 comparable data is available.

28 (3) Determine the optimal allocation of state appropriated funds to each
29 postsecondary institution based upon operational costs, performance outcomes,
30 and performance-based, targeted incentives. However, the amount to be

1 allocated based upon performance outcomes must be sufficient to incentivize
 2 increased performance at the campus level.

3 (4) Consider the characteristics unique to each individual postsecondary
 4 institution, including community and technical colleges and professional
 5 schools, such as student enrollment characteristics and geographic location and
 6 delivery area.

7 (5) Include safeguards to prevent sudden, dramatic changes in the
 8 funding level of any postsecondary institution.

9 (6) Contain a timeline for full formula implementation.

10 E. Implementation of the outcomes-based funding formula shall begin
 11 as soon as practicable, but not later than the beginning of the 2016-2017 fiscal
 12 year.

13 F.(1) Not later than December 31, 2015, the commissioner of higher
 14 education shall submit a written report containing the proposed outcomes-based
 15 funding formula and related recommendations for related policy and statutory
 16 changes to the Board of Regents for its consideration and approval.

17 (2) The Board of Regents shall review the report and subsequently
 18 submit the report, the proposed outcomes-based funding formula, and the
 19 board's comments and recommendations to the Senate Committee on
 20 Education, the Senate Committee on Finance, the House Committee on
 21 Education, and the House Committee on Appropriations, not later than
 22 January 31, 2016.

23 G. The commissioner of higher education and the postsecondary system
 24 presidents shall collectively re-evaluate the postsecondary education funding
 25 formula at least once every two years and submit a written report regarding the
 26 formula's effectiveness and the performance of each postsecondary institution
 27 to the Senate Committee on Education, the Senate Committee on Finance, the
 28 House Committee on Education, and the House Committee on Appropriations.

29 Section 2. This Act shall become effective upon signature by the governor or, if not
 30 signed by the governor, upon expiration of the time for bills to become law without signature

1 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
2 vetoed by the governor and subsequently approved by the legislature, this Act shall become
3 effective on the day following such approval.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____