

Louisiana’s Performance Funding Formula

The Louisiana Constitution charges the Board of Regents with the responsibility of developing a funding formula for the equitable distribution of state funds to the state’s public postsecondary education institutions. The formula has been designed to also reflect what is “important” in higher education in an effort to drive public policy and accountability.

Historically, the formula provided an across the board distribution to our institutions by simply rewarding enrollment, but because campuses, systems, and Regents collectively understood the importance of improved performance over time, factors like progression, course completion and even role, scope and mission have been incorporated into the funding calculation—creating the performance funding formula that is now used in our state. The bottom line is, the formula is designed to drive good educational policy and not simply reward increased enrollment.

In response to Act 462 of the 2014 Regular Session, the Board of Regents and each public postsecondary education system were required to jointly and collaboratively develop a comprehensive outcomes-based funding formula model. The funding model is based on a redesigned cost portion and a newly developed outcomes portion that aligns with the requirements of Act 462. 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 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.

Two Year and Four Year Models

The 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 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.

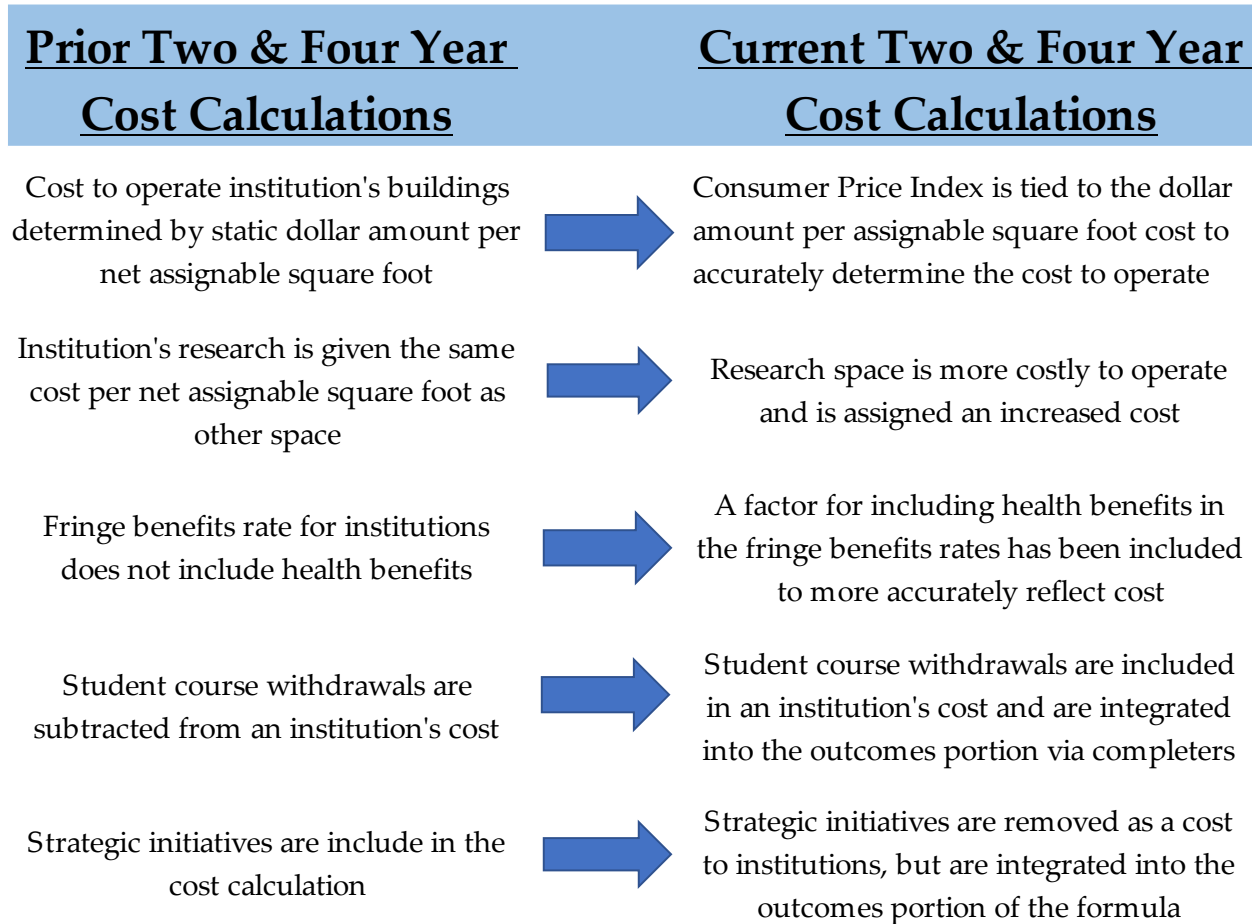


Figure 1 illustrates the change in cost methodology present in the newly developed model.

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)

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.

Regents believes that consistent use of a fair and equitable formula model is critical so Louisiana’s postsecondary institutions can predict future funding based on performance expectations and

adjust their operations appropriately. Consistency in the performance measures and the application of the formula is critical to the overall success of this fiscal policy driver. However, the formula is reviewed periodically by a team that includes system, campus and Regents representatives. Input is sought from all parties so that issues can be discussed, ideas can be shared and models can be run to negate any unintentional consequences. While many suggestions have been considered by the collective more often than not changes to the formula only result in shifting limited state dollars from one institution to another in a break even, end game.