

Funding Formula Policy Document

Funding Formula Element Best Practices

National best practice for outcomes-based funding models require strong alignment to state goals and priorities. The overall best practices in funding formulas, as outlined by HCM Strategists (2019) *Driving Better Outcomes*, are below:

- Established completion or attainment goals are linked to the model;
- Recurring base funding is distributed and is sustained over consecutive years;
- A significant level of funding is distributed by outcomes;
- Limited, measurable metrics are used, with degree/credential completion being prioritized;
- Institution mission is accounted for;
- The funding structure is formula-driven to ensure incentives for continuous improvement;
- Success of underrepresented students is prioritized.

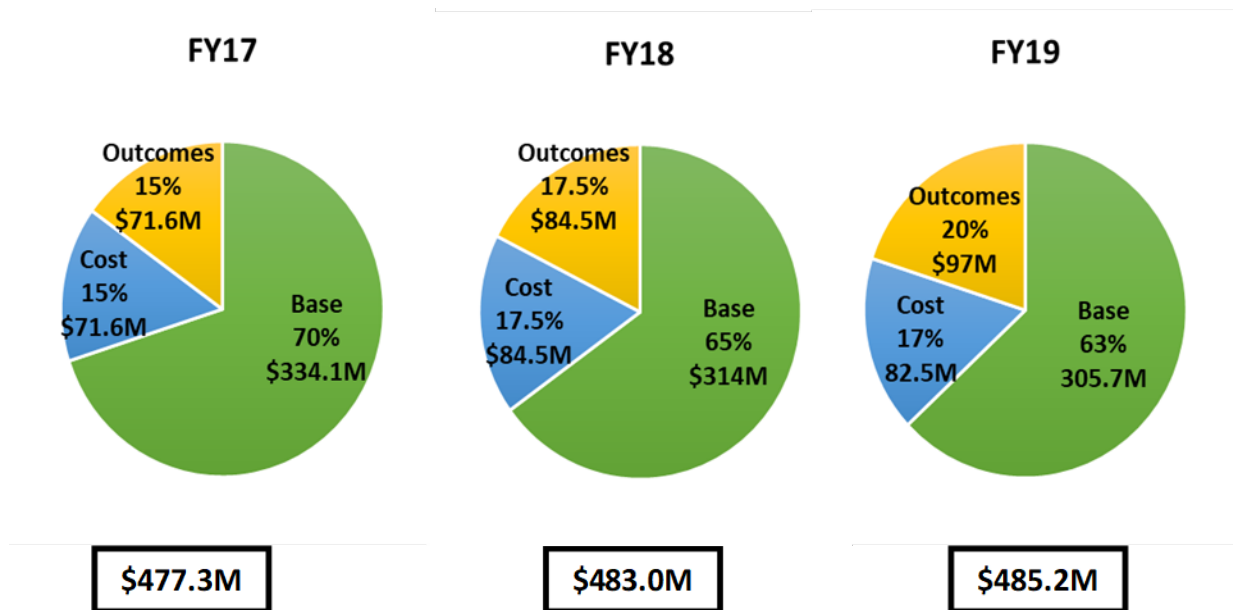
Louisiana Outcomes-Based Funding Formula Components:

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.

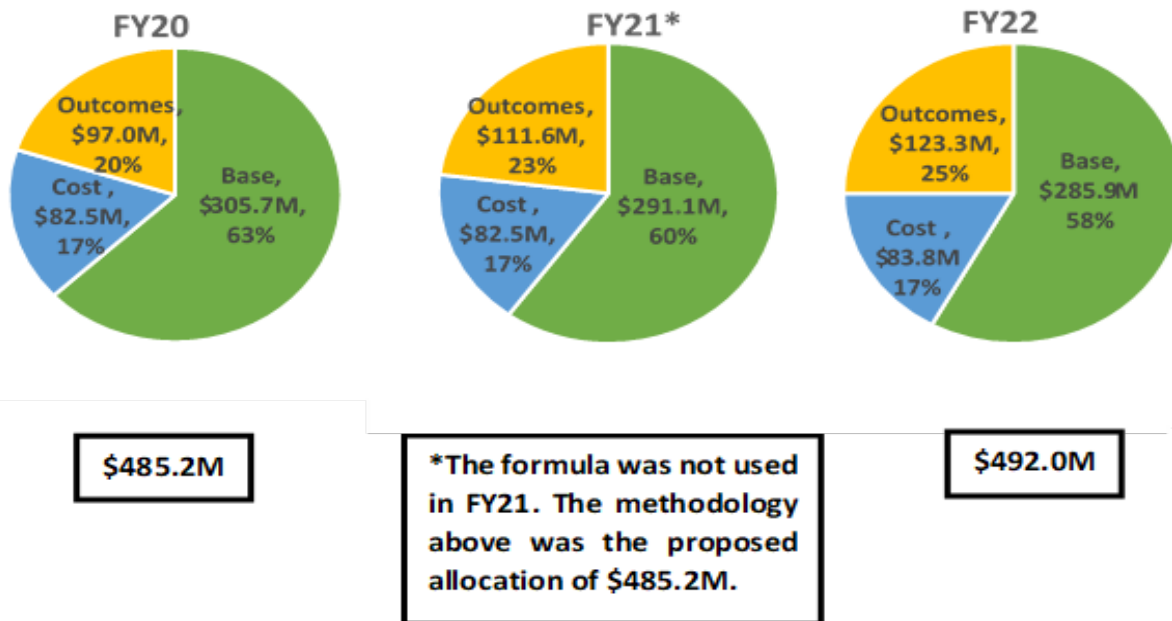
The formula consists of three components:

1. Base (previous year allocation);
2. Cost (credit hours weighted by discipline, operations & maintenance, and general support);
3. Outcomes (student success including retention & completion, research, and workforce alignment).

The outcomes-based formula has been utilized to distribute state funding for higher education for the last three years. The charts below illustrate the allocation of the three formula components and the total amount of funds that the formula allocated each year.



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Master Plan Alignment

From March 2019 to February 2020, staff worked with the systems to align our funding formula with the Master Plan attainment goal of doubling the number of credentials by 2030.

To accomplish this alignment of the outcomes-based funding formula with the Master Plan, the formula was modified to achieve the following:

- 1) Expand access and success in completing postsecondary education;
- 2) Eliminate persistent and damaging equity gaps;
- 3) Significantly increase the education level for adults.

This collaborative process focused on the cost and outcomes sections of the funding formula. As a result of this effort, the changes to the cost section of the formula are as follows:

- **Two-year smooth of Student Credit Hours**
- **Annual data point updated for Base Credit Hour**
- **Underrepresented Minority cost adjustment**

The changes to the outcomes section of the formula are as follows:

- **Increased the Adult (Age 25 and older) completer metric weight.**
- **Increased Income Equity Gap completer metric weight, as proxied by Pell Grant awards.**
- **Developed an underrepresented minorities completers metric with the same weight as Adult completer and Income Equity Gap completer metrics.**
- **Population bands for underrepresented minority and Pell completers**
- **Simplified the outcomes section of the formula to focus on completers, research, equity, and workforce.**

In September 2019, Moody's Investor Services issued a report stating that the Master Plan is a credit positive for the state. The report also detailed that if Louisiana invests more funding towards this goal, the state may see an accelerated increase in attainment in order to reach its 2030 goal. The report can be found [here](#).