Funding Formula Summary

Outcomes-Based Funding Formula Model Overview

In response to Act 462 of the 2014 Regular Legislative Session, the Board of Regents (BOR) and each public postsecondary education system met and worked collaboratively to develop a comprehensive outcomes-based funding formula model. For each year of continued formula implementation, the goal has been to increase the proportion of total funding allocated to institutions utilizing the cost formula and outcomes metrics for each institution type. As the model has been utilized, additional refinements have been made by the Board based on staff and system analysis and discussions with stakeholders. The comprehensive funding model includes a base portion, a cost portion, and an outcomes portion aligned with the requirements of Act 462. Two-year and four-year institutions have differing roles, scopes, and missions.

Overall funding is split between institution types, i.e., two-year and four-year. The funding split is calculated by aggregating the costs associated with each institution by type (two-year or 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 is divided between the **base**, **cost**, and **outcomes** calculations to avoid dramatic swings in total funding between institutions.

Base Funding

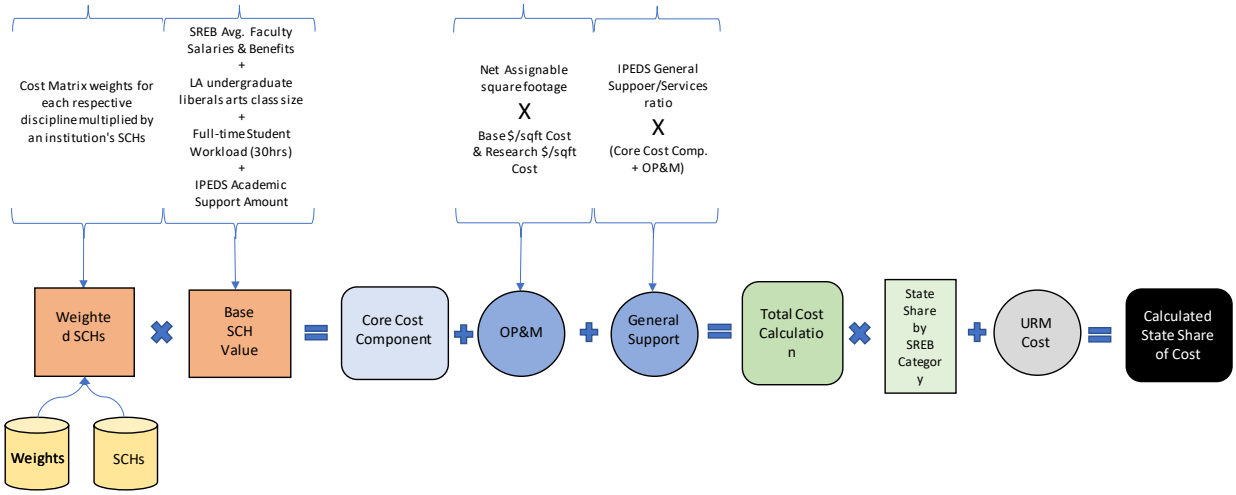
In order to address the need for stability, the base funding is a component of the funding formula. The base is the institution's prior-year allocation.

Cost Model

The cost model (Figure 1) is used to the determine the cost associated with programs taught at an institution and the costs of general operations. The model is designed to accurately measure costs. The

Figure 1.

Board of Regents Funding Formula: Cost Portion



Definitions

Student Credit Hour (SCH) - The student credit hour is a measurement of instructional workload. (Example: If 10 students are in a 3 hour course, then 30 SCHs are attributed to that course.)
Cost Weights - The multiplier dependent on discipline and level used to calculate cost of instruction vased on the lower level undergraduate liberal arts base of 1.00.
IPEDS Academic Support Amount - An amount compiled from the ration of total budget spent on Academic Support/Services by SREB institutions in each category as reported to IPEDS. Academic support is a functional expense category that includes expenses of activities and services that support the institution's primary missions of instruction, research, and public service.
Base SCH Value - The Base Student Credit Hour Value is calculated using average faculty salaries and benefits, LA average undergraduate class size, full-time student workloads and an academic support/services amount.
OP&M (Operation of Plan and Maintenance) - This amount is determined by using an institution's Net Assignable Square Footage multplied by a per square foot base dollar amount.
IPEDS General Support Ratio - The ratio of total budget spent on General Support/Services by SREB institutions in each category as reported to IPEDS. General support is a functional expense category that includes expenses for the day-to-day operational support, general adminsitrative, fiscal and executive level services of the institution.
SREB Category - Institutions in each Southern Regional Education Board member state are assigned a category based on the level, quantity, and mix of degrees awarded.
State Share by SREB Category - The state's share of total funding for each institution per SREB category.
URM (Underrepresented Minority) Cost - A cost factor added to institutions that have an URM population above the state average to provide additional support to increase outcomes.
Calculated State Share of Cost - The amount calculated to represent the appropriate state share of total funding for each institution per SREB category.

cost model has been utilized by BOR since FY11. The cost model consists of student credit hours (SCH), a program cost matrix, facilities costs, and support services. SCHs are multiplied by the program weight as determined by the matrix to produce a weighted credit hour. This is the main cost driver of the formula once applied to base student credit hour value. The base SCH value is derived from Southern Regional Educational Board (SREB) peer-group salary data, course offerings, degree level of students, class size, and support services.

Outcomes Model

The outcomes portion (Figure 2) comprises metrics incorporated to incentivize institutions to achieve the desired outcomes of Act 462. The formula measures 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; and
- The alignment of postsecondary degree production with economic development and workforce needs.

The outcomes metrics include student retention and progression, cross-enrollment of students, and research, completions - which are determined using time-to-degree (baccalaureate and associate degrees), graduate level degree (four-year) or certificate/diploma (two-year) completion - transfers from two-year to four-year, Pell Grant, underrepresented minority, and adult completers, and workforce. These metrics have weights that are used to calculate the total outcomes points for each institution. For example, time-to-degree weights are applied to the amount of time a student takes to earn a degree and higher weights are applied to students who earn a degree in a shorter time. For equity completers, a weight is applied to each equity component that is associated with the student and additional weights are earned for underrepresented and Pell completers from institutions with larger equity student populations. Each institution receives a pro-rata share of its production of the outcomes factors.

Figure 2.	**Outcomes Based Funding Formula Metrics by Category**
Completers	Retention/Progression: Enrollment counted at the student level, by the accumulation of credit hours Time-To-Award for Students Earning an Associate Degree Time-To-Award for Students Earning a Baccalaureate Degree (both Native and Transfer-In) Completers by Degree Level: Certificate, Diploma, Associate, Baccalaureate, Graduate Number of Students Cross Enrolled at Two and Four-Year Institutions Number of Transfers from Two-Year to Four-Year Institutions
Research	Grant Funded Research
Workforce	Number of Completers Leading to 4&5 Star Jobs
Equity Completers	Undergraduate Adult (Age 25 and Older) Completers Completion of Students on Pell Completion by underrepresented minorities

An example of points earned for a completing student would be as follows:

- Enrolled senior (1.1);
- Completes a degree in 4 years (1.8);
- Completes in Health (2.5);
- Is a Pell student (2.25); and
- Is an equity population completer (2.25).

  This results in a total of 9.9 points earned for this single student.

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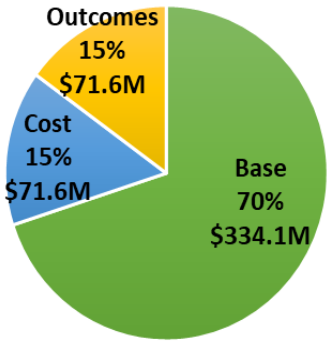
Funding Distribution Methodology

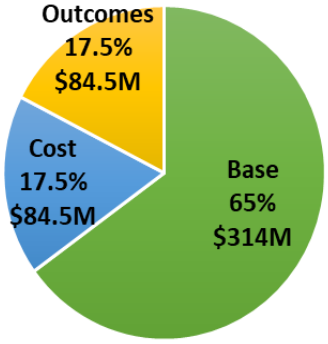
Each formula component is represented within the 100% of the available formula funds appropriated by the legislature. The Board determines the methodology for allocation to each component. For FY22, the formula methodology is 58% base, 17% cost formula, and 25% outcomes formula to distribute $492.0M. The charts below illustrate the prior year and current year allocations of the three formula components and the total amount of funds that the formula allocated each year.

FY17



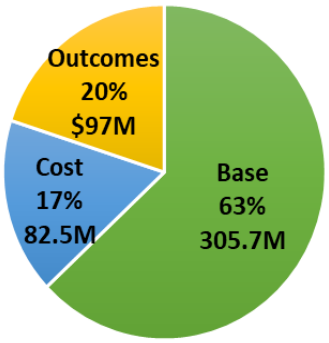
$477.3M

FY18



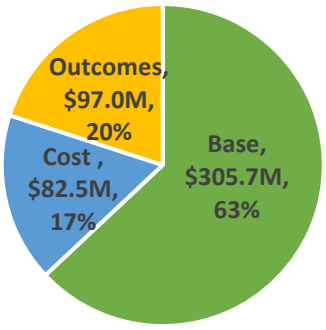
$483.0M

FY19



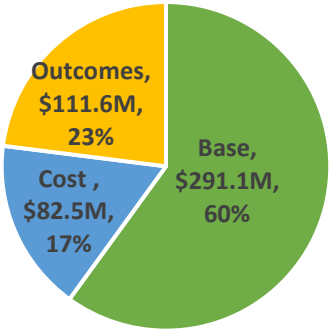
$485.2M

FY20



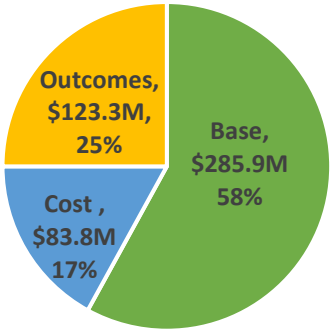
$485.2M

FY21*



***The formula was not used in FY21. The methodology above was the proposed allocation of $485.2M.**

FY22



$492.0M