

## **Louisiana’s Outcomes-Based 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 to support the Louisiana Prospers Master Plan.

### ***Historical Context***

Prior to FY2010, the formula provided an across the board distribution to our institutions by simply rewarding enrollment based on Southern Regional Education Board (SREB) category. Beginning in FY2010, Regents and systems developed the cost formula to better recognize the cost of program delivery at each institution. This model provided a more equitable distribution because funding was allocated based on program cost. As this model evolved, campuses, systems, and Regents collectively understood the importance of improved performance over time, resulting in incorporation of factors like progression, course completion and even role, scope and mission into the new funding calculation. This led to the outcomes-based funding formula that is now used in our state. The bottom line is that the formula is designed to drive performance and 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. Currently, the overall distribution is divided between the base (prior-year allocations), cost, and outcomes calculations to avoid dramatic swings in total funding between institutions as required by law. 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 cost portion (Figure 1) and an outcomes portion (Figure 2), which 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, research, degree level, space utilization, and support services.
- Outcomes metrics based on completer levels, transfers, completers in high-demand fields (4 & 5 star jobs), time-to-award, and credential completion among equity groups.

### ***Cost Portion***

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.

Figure 1.

<b>Cost Portion Funding Formula by Component</b>	
<b>Core Cost Component</b>	Weighted Student Credit Hours includes student credit hours by institution multiplied by the cost weights by discipline. Base Student Credit Hour value is comprised of average faculty salaries and benefits, class size, student workloads, and academic support/services.
<b>Operation of Plant and Maintenance</b>	Net assignable square footage for instruction and research at an institution. Base dollar amount per square foot for instruction and base dollar amount per square foot for research tied to the Consumer Pricing Index.
<b>General Support</b>	A functional expense category that includes expenses for day-to-day operational support, general administrative, fiscal, and executive level services of the institution.
<b>Underrepresented Minority Cost Factor</b>	The difference between underrepresented minorities average cost and the average cost calculation is multiplied by the FTEs of underrepresented minority students at each institution.
<b>State Share by SREB Category</b>	The State's share of total funding for each institution per SREB category.

Figure 1 illustrates the cost components present in the model.

#### Outcomes Portion

The outcomes portion comprises metrics incorporated to incentivize institutions to achieve desired outcomes set forth in Act 462 including the following:

- Student success factors;
- Alignment with economic development and workforce needs;
- Research and innovation;
- Funding the costs of credit hours and certificate and degree completion; and
- Any other factor or metric that promotes student and institutional outcomes.

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, including among equity groups;
- The incentives necessary to achieve desired outcomes per Act 462; and
- The alignment of postsecondary degree production with economic development and workforce needs.

Figure 2.

Outcomes Based Funding Formula Metrics by Category	
<b>Completers</b>	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
<b>Research</b>	Grant Funded Research
<b>Workforce</b>	Number of Completers Leading to 4&5 Star Jobs
<b>Equity Completers</b>	Undergraduate Adult (Age 25 and Older) Completers Completion of Students on Pell Completion by underrepresented minorities

**1. Completers**

- 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.
- c. Time-To-Award for Students Earning an Associate’s 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.
- d. 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.
- e. Number of Students Cross-Enrolled at Two-and Four-Year Institutions
  - i. Weights are applied to each student of a two-year institution who is also enrolled at a four-year institution.
- f. Number of Transfers from Two- to Four-Year Institutions
  - i. Weights are applied to each student who transfers from a two-year to a four-year institution.

**2. Research**

- a. Grant-Funded Research
  - i. Grant-funded research is measured by Federal research expenditures at each institution. Institutions are incentivized to increase the amount of grant-funded research performed by faculty.

**3. Workforce**

- 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.

#### 4. Equity Completers

- a. Underrepresented Minority Completers
  - i. In order to address unequal racial educational attainment levels in our state, underrepresented minority students are counted uniquely when receiving any credential within the academic year. The race categories included: Black (non-Hispanic), Hispanic of any race, Native Hawaiian/Pacific Islander, American Indian/Alaskan Native, and those reported as two or more races.
- 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 currently without a postsecondary credential. (Source: LWC Long-Term Occupational Forecast and the Louisiana Community and Technical College System)
- c. Completion of Students on Pell
  - i. The Pell metric represents at-risk or low-income students who are enrolled in 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. Institutions are encouraged thereby to serve the 19.0% of Louisiana's population that is below the poverty level. (Source: US Census Bureau, 2019 American Community Survey 1-Year Estimates)