



PRODUCTIVITY-BASED FUNDING MODEL FOR ARKANSAS PUBLIC HIGHER EDUCATION

PRESENTED TO THE SENATE AND HOUSE COMMITTEE ON EDUCATION
SEPTEMBER 18, 2017

WHY PRODUCTIVITY FUNDING?

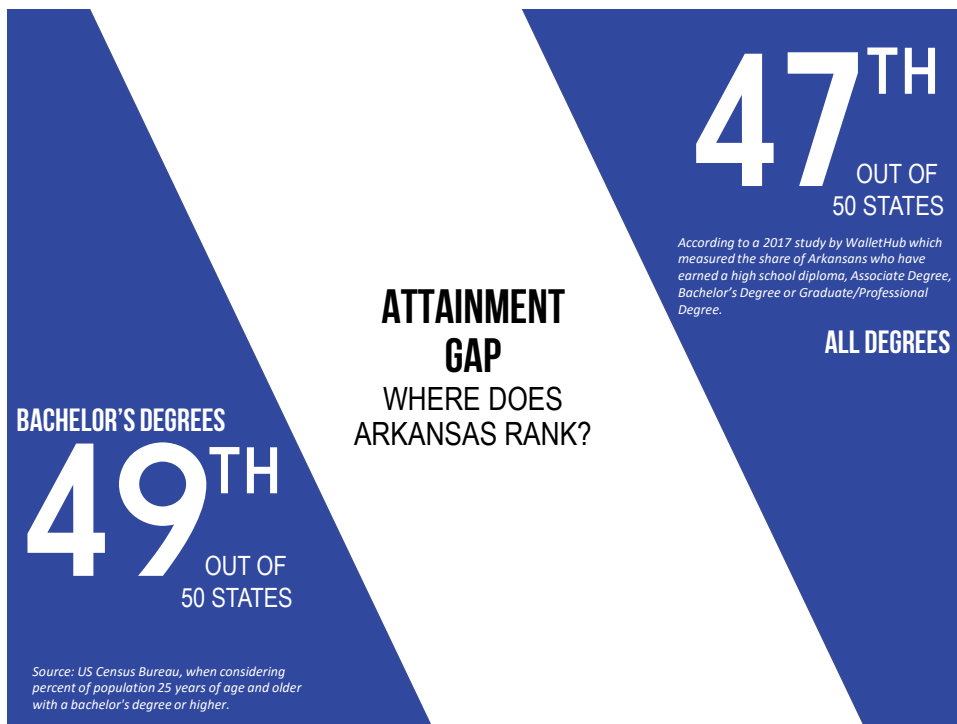




GOVERNOR ASA HUTCHINSON

FEBRUARY 8, 2017

“We can do it better as a state, we can reward excellence. We can reward universities and institutions that are accomplishing student progression. To move from simply student enrollment measurements to student progression measurements is a landmark change in the state of Arkansas.”



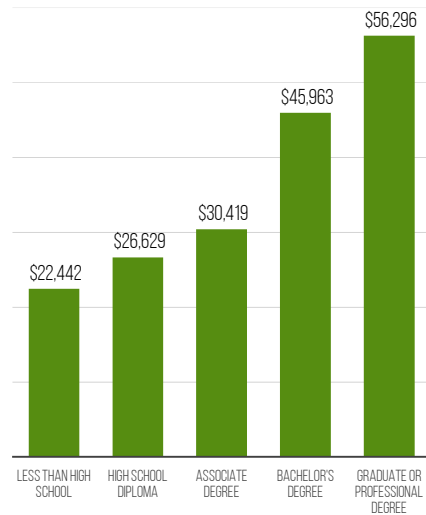
MEDIAN INCOME
 The US Census Bureau Reports that Arkansas is 48th out of 50 states in median household income.

48TH

OUT OF 50 STATES

\$44,334 Median Income for Arkansas in 2016

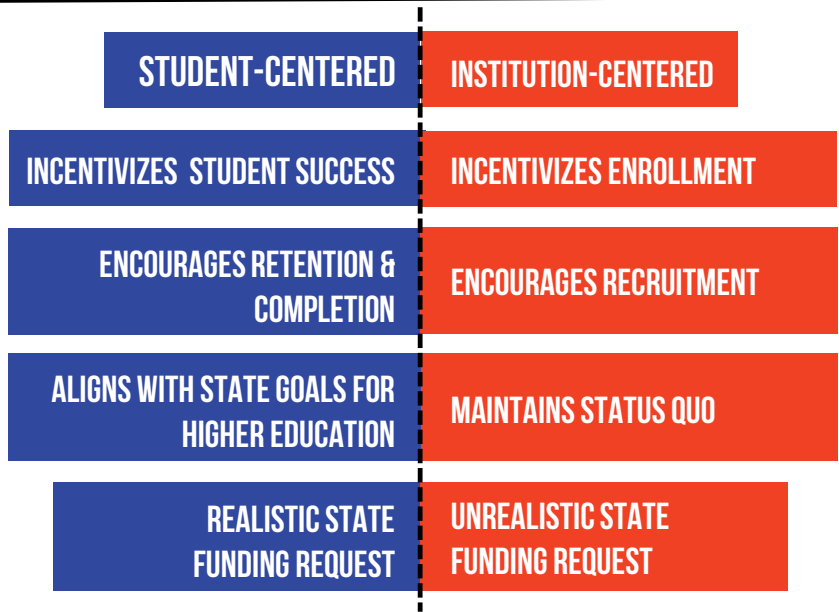
\$57,617 Median Income for United States in 2016



MEDIAN INCOME
 IN THE PAST 12 MONTHS (IN 2016 INFLATION-ADJUSTED DOLLARS) BY EDUCATIONAL ATTAINMENT FOR THE POPULATION 25 YEARS AND OVER

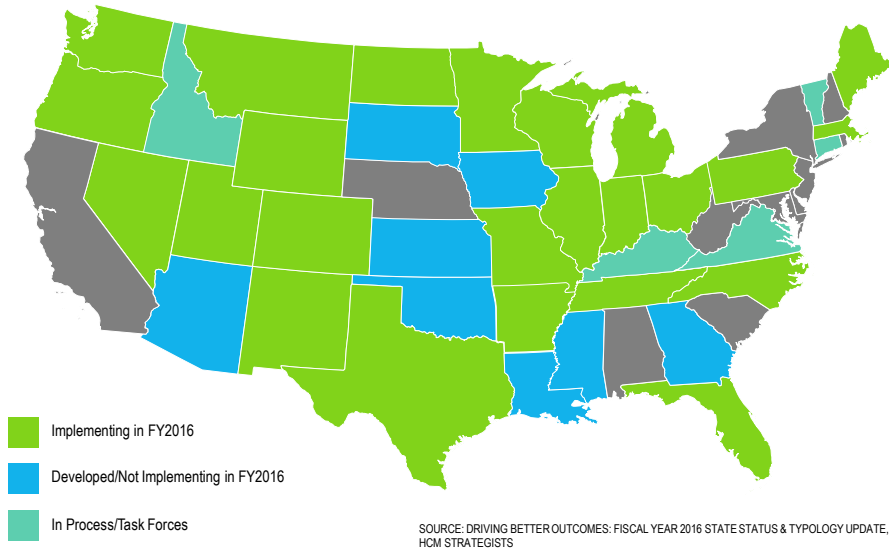
Source: U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates

PRODUCTIVITY VS NEED-BASED



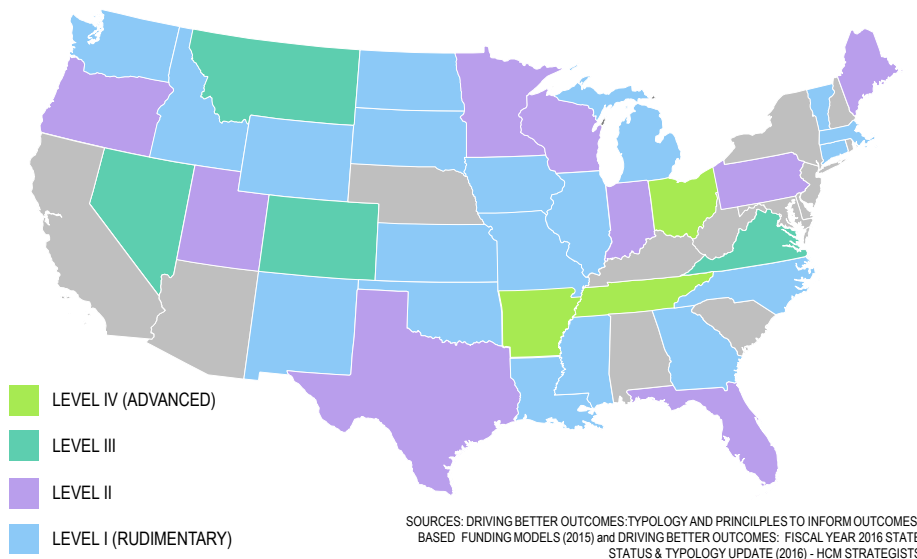
OUTCOMES-BASED FUNDING IN FY2016

NATIONAL IMPLEMENTATION



OUTCOMES-BASED FUNDING

NATIONAL IMPLEMENTATION BY TYPE



TRANSPARENCY OF PROCESS

PRESENTED TO HIGHER EDUCATION COORDINATING BOARD

April 2016 – Progress Update
 July 2016 – Progress Update
 December 2016 – Trustee's Conference Update
 January 2017 – Progress Update
 January 2017 – Trustee's Conference Update
 May 2017 – Productivity Funding Model Policy Review
 August 2017 – Productivity Funding Distribution Policy Review

PRESENTED TO LEGISLATIVE COMMITTEES

August 2016 – ALC-Higher Education Subcommittee
 January 2017 – Testified to Legislative Committee
 February 2017 – Senate Education Committee
 February 2017 – House Education Committee
 Jan – Feb 2017 – Met One-on-One with 24 Legislators
 August 2017 – One-on-One Meetings with Legislators

NEWS/MEDIA/PUBLIC PRESENTATIONS

August 2016 – Interview with Arkansas Business
 August 2016 – Interview with KATV
 August 2016 – Interview with John Brummett
 September 2016 – Arkansas Public Media
 October 2016 – Stuttgart Rotary Club
 February 2017 – Interview with Arkansas Democrat Gazette
 February 2017 – Interview with AETN
 February 2017 – Public Legislative Forum at UAPB
 March 2017 – Interview with Wall Street Journal
 March 2017 – Russellville Chamber Leadership Group
 April 2017 – Hot Springs Rotary Club
 April 2017 – Interview with Arkansas Business

PRESENTED TO INSTITUTIONS

June 2016 – President's and Chancellors
 June 2016 – CFO's and Business Officers
 September 2016 – Arkansas Deans Association
 Sept. – Dec. 2016 – One-on-One Meetings with Presidents and Chancellors
 October 2016 – UALR Guest Lecture
 January 2017 – Chief Academic Officers
 January 2017 – SACC Leadership
 January 2017 – ANC Leadership
 February 2017 – SAUT Senior Leadership
 February 2017 – AAC Leadership
 February 2017 – UCA Guest Lecture
 March 2017 – CASE District Conference
 March 2017 – Chief Academic Officers & Chief Student Affairs Officers
 March 2017 – Dean's Council
 March 2017 – PTC Leadership
 March 2017 – UAFS Leadership & Staff
 March 2017 – Student Success Symposium
 April 2017 – Institutional Research Officers
 May 2017 – AR Assoc. of Colleges for Teacher Ed.
 May 2017 – SAUM Senior Leadership
 May 2017 – Presidents and Chancellors
 June 2017 – CFO's and Business Officers
 June 2017 – Institutional Research Officers
 July 2017 – Dean's Council
 August 2017 – Student Information System Advisory Committee
 August 2017 – Student Information System Reporting Review and Q&A
 August 2017 – Presidents and Chancellors
 August 2017 – UAM Convocation
 August 2017 – PTC Convocation
 August 2017 – UAPB Convocation
 August 2017 – PCCUA Senior Leadership
 September 2017 – Chief Academic Officers
 September 2017 – Harding Guest Lecture

Total
112

WORKGROUP

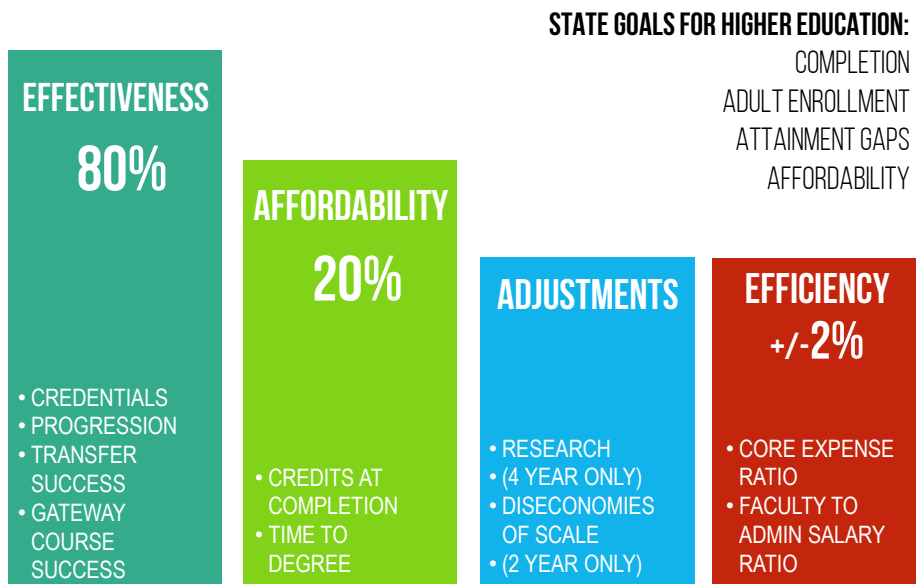
Representative	Title	Institution
Dr. Glen Jones, Chair	President	Henderson State University
Rita Fleming	Associate Vice President for Finance	University of Arkansas System Administration
Gary Gunderman	Director of Institutional Research & Assessment	University of Arkansas Fayetteville
Diane Newton	Vice President	University of Central Arkansas
Dr. Robin Bowen	President	Arkansas Tech University
Dr. Margaret Ellibee	President	Pulaski Technical College
Dr. John Hogan	President	National Park College
Debi Buckley	Vice President for Finance & Administration	Northwest Arkansas Community College
Julie Bates	Executive Vice President	Arkansas State University System
Steve McClellan	Vice Chancellor for Finance & Administration	University of Arkansas Little Rock
Dr. Brett Powell	Vice President for Finance & Administration	Henderson State University

GUIDING PRINCIPLES

THE FUNDING FORMULA WORKGROUP SET OUT TO CREATE A MODEL THAT MET THE FOLLOWING CRITERIA:



PRODUCTIVITY MEASURES



CREDENTIALS

40% OF EFFECTIVENESS (32% OF TOTAL)

DEGREE LEVEL	2YR	4YR
CERTIFICATE OF PROFICIENCY	1	0.5
TECHNICAL CERTIFICATE	2	1
ADVANCED CERTIFICATE, POST-BACCALAUREATE CERTIFICATE, POST-MASTER'S CERTIFICATE, SPECIALIST, OR POST-FIRST PROFESSIONAL CERTIFICATE	2	1
ASSOCIATE DEGREE	3	2
BACHELOR'S DEGREE	NA	4
MASTER'S DEGREE	NA	5
DOCTORAL DEGREE	NA	6

X

DEGREE TYPE	
STEM	3
HIGH DEMAND	1.5
OTHER	1

X

STUDENT CHARACTERISTICS	
ALL STUDENTS	1
ADULT	0.29
UNDERSERVED RACE	0.29
UNDERSERVED ACADEMIC	0.29
UNDERSERVED INCOME	0.29

PROGRESSION

30% OF EFFECTIVENESS (24% OF TOTAL)

PROGRESSION GOALS	2YR	4YR
15 HOURS	1	1
30 HOURS	1	1
45 HOURS	1	1
60 HOURS	NA	1
90 HOURS	NA	1

X

STUDENT CHARACTERISTIC	
ALL STUDENTS	1
ADULT	0.29
UNDERSERVED RACE	0.29
UNDERSERVED ACADEMIC	0.29
UNDERSERVED INCOME	0.29

GATEWAY

15% OF EFFECTIVENESS (12% OF TOTAL)

GATEWAY COURSE TYPE

MATH	1
ENGLISH	1
READING	1

X

STUDENT CHARACTERISTIC

REQUIRED REMEDIATION	3
DID NOT REQUIRE REMEDIATION	1

TRANSFER

15% OF EFFECTIVENESS (12% OF TOTAL)

TRANSFER TYPE	2YR	4YR
TRANSFERRED WITH 30 HOURS OF ACTS COURSES	1	NA
TRANSFERRED WITH ASSOCIATE DEGREE	1.25	NA
TRANSFERRED & COMPLETED BACHELOR'S DEGREE	NA	1

TIME TO DEGREE

50% OF AFFORDABILITY (10% OF TOTAL)

TIME TO DEGREE FACTORS

GRADUATED ON TIME	1
ON TIME + 25%	0.875
ON TIME + 50%	0.4

CREDITS AT COMPLETION

50% OF AFFORDABILITY (10% OF TOTAL)

CREDITS AT COMPLETION FACTORS

GRADUATED ON SCHEDULE	1
ON SCHEDULE + 10%	0.875
ON SCHEDULE + 25%	0.4

RESEARCH ADJUSTMENT

FOUR YEAR INSTITUTIONS ONLY

CRITERIA	% INCREASE
INSTITUTIONS WHOSE RESEARCH EXPENDITURES EXCEED 5% OF TOTAL EXPENDITURES (BASED ON 3 YEAR AVERAGE)	ACTUAL PERCENTAGE OF RESEARCH EXPENDITURES

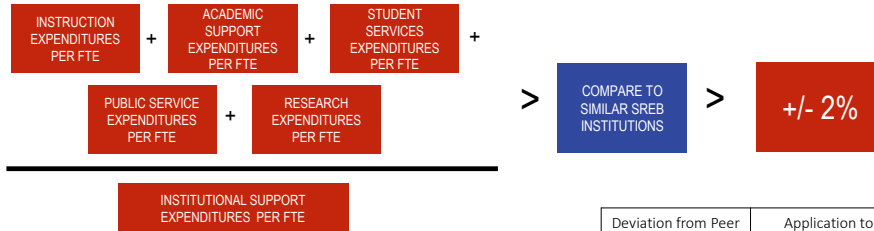
DISECONOMIES OF SCALE ADJUSTMENT

TWO YEAR INSTITUTIONS ONLY

ENROLLMENT	% INCREASE
< AVERAGE	3%
< 15% OF AVERAGE	4%
< 30% OF AVERAGE	5%

CORE EXPENSE RATIO

50% OF EFFICIENCY



Deviation from Peer Group	Application to Effectiveness Score
Below -20.01%	-2%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1%
-5.01% to -10%	-0.5%
-5% to 5%	0%
5.01% to 10%	0.5%
10.01% to 15%	1%
15.01% to 20%	1.5%
Above 20.01%	2%

FACULTY TO ADMIN SALARY RATIO

50% OF EFFICIENCY



Deviation from Peer Group	Application to Effectiveness Score
Below -20.01%	-2%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1%
-5.01% to -10%	-0.5%
-5% to 5%	0%
5.01% to 10%	0.5%
10.01% to 15%	1%
15.01% to 20%	1.5%
Above 20.01%	2%

CALCULATING PRODUCTIVITY CHANGE

$$\frac{\text{CURRENT INDEX SCORE} - \text{PREVIOUS INDEX SCORE}}{\text{PREVIOUS INDEX SCORE}} = \text{PRODUCTIVITY \% CHANGE}$$

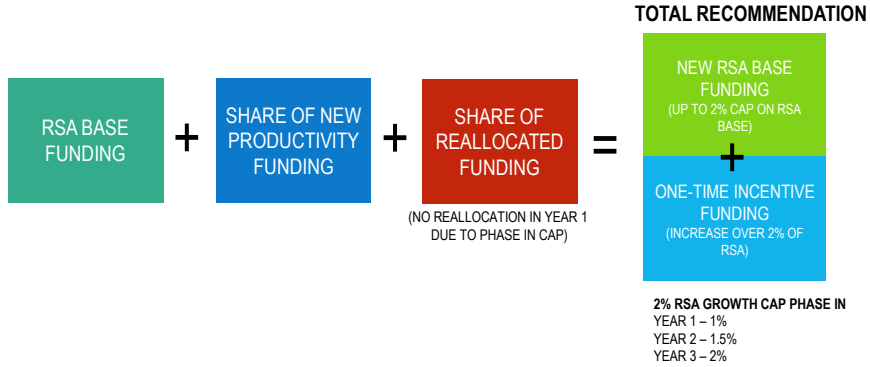
TOTAL NEW FUNDING RECOMMENDATION

FOR FOUR & TWO YEAR INSTITUTIONS

$$\text{PRODUCTIVITY \% CHANGE (ALL HIGHER ED)} \times \text{RSA BASE FUNDING} = \text{INCREASE TO RSA BASE FUNDING RECOMMENDATION (CAPPED AT +/-2\% OF RSA BASE)}$$

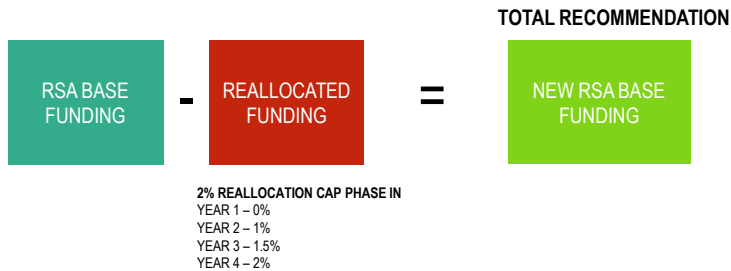
NEW FUNDING RECOMMENDATION

FOR INSTITUTION WITH POSITIVE GROWTH



NEW FUNDING RECOMMENDATION

FOR INSTITUTION WITH NEGATIVE GROWTH



EXAMPLE FUNDING RECOMMENDATION

TOTAL HIGHER EDUCATION

Institution	RSA Forecast	Base Productivity Index	Current Productivity Index	Change in Productivity Index	% Change in Productivity Index
INSTITUTION A	\$35,000,000	28,000	30,000	2,000	7.14%
INSTITUTION B	\$25,000,000	20,000	19,500	(500)	-2.50%
INSTITUTION C	\$14,000,000	10,000	10,500	500	5.00%
4YR SUBTOTAL	74,000,000	58,000	60,000	2,000	3.45%
INSTITUTION D	\$8,000,000	5,000	4,500	(500)	-10.00%
INSTITUTION E	\$13,000,000	8,000	8,150	150	1.88%
INSTITUTION F	\$5,000,000	3,000	3,250	250	8.33%
2 YR SUBTOTAL	\$26,000,000	16,000	15,900	(100)	-0.63%
TOTAL	\$100,000,000	74,000	75,900	1,900	2.57%

\$100,000,000 RSA BASE FUNDING	X	2.0% % PRODUCTIVITY CHANGE (CAPPED AT 2%)	=	\$2,000,000 INCREASE TO RSA BASE FUNDING RECOMMENDATION FOR ALL HIGHER ED
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EXAMPLE FUNDING RECOMMENDATION

DISTRIBUTION TO FOUR & TWO YEAR INSTITUTIONS

Recommendations	RSA Funding	Universities (74%)	Colleges (26%)
RSA (Base) Funding	\$100,000,000	74,000,000	26,000,000
Productivity Recommendation	\$2,000,000	1,480,000	520,000

Allocation of Productivity Recommendation Based on Current (BASE) RSA Percentages for 2 & 4 Year Institutions

EXAMPLE FUNDING RECOMMENDATION

DISTRIBUTION TO FOUR & TWO YEAR INSTITUTIONS

INSTITUTION	RSA ONLY FUNDING	% CHANGE IN PRODUCTIVITY INDEX	CONTRIBUTION TO INCREASE	NEW GENERAL REVENUE FUNDING	PRODUCTIVITY REALLOCATION	RECOMMENDATION				
						TOTAL CHANGE IN FUNDING	% CHANGE	RSA INCREASE (CAPPED AT 2%)	INCENTIVE FUNDING	RECOMMENDED FUNDING
INSTITUTION A	\$35,000,000	7.14%	80%	\$1,184,000	\$400,000	\$1,584,000	4.53%	\$700,000	\$884,000	\$36,584,000
INSTITUTION B	\$25,000,000	-2.50%	0%	\$-	(\$500,000)	(\$500,000)	2.00%	\$-	\$-	\$24,500,000
INSTITUTION C	\$14,000,000	5.00%	20%	\$296,000	\$100,000	\$396,000	2.83%	\$280,000	\$116,000	\$14,396,000
4YR SUBTOTAL	74,000,000	3.45%	100%	\$1,480,000	-	\$1,480,000	2.00%	\$980,000	\$1,000,000	75,480,000
INSTITUTION D	\$8,000,000	-10.00%	0%	\$-	(\$160,000)	(\$160,000)	2.00%	\$-	\$-	\$7,840,000
INSTITUTION E	\$13,000,000	1.88%	37.50%	\$195,000	\$60,000	\$255,000	1.96%	\$255,000	\$-	\$13,255,000
INSTITUTION F	\$5,000,000	8.33%	62.50%	\$325,000	\$100,000	\$425,000	8.50%	\$100,000	\$325,000	\$5,425,000
2 YR SUBTOTAL	\$26,000,000	-0.63%	100%	\$520,000	-	\$520,000	2.00%	\$355,000	\$325,000	\$26,520,000
TOTAL	\$100,000,000	2.57%	-	\$2,000,000	-	\$2,000,000	2.00%	\$1,335,000	\$1,325,000	\$102,000,000

FREQUENTLY ASKED QUESTIONS

- WHY ARE NON-CREDIT WORKFORCE HOURS NOT CURRENTLY INCLUDED IN THE MODEL?
- IS THERE A PLAN TO INCORPORATE POST-COMPLETION SUCCESS?
- HOW WILL \$10 MILLION IN NEW FUNDING AFFECT INSTITUTIONAL SPENDING?
- HOW ARE OUT-OF-STATE STUDENTS TREATED IN THE MODEL?
- WHAT IS THE STATE'S RETURN ON INVESTMENT AFTER IMPLEMENTING THE PRODUCTIVITY MODEL?



"I am pleased to announce my support of the productivity funding model for Arkansas's higher education institutions. At my direction, the Arkansas Department of Higher Education began to look at potential changes to our current funding formula that would emphasize accountability, student success, and degree completion. These changes will promote efficiency of operations, encourage on-time completion, and encourage allocation of resources to areas which directly impact student success, such as faculty salaries and academic support services.

"My priority continues to be increasing the percentage of Arkansans that are career-ready, equipped with degrees and industry-recognized certificates, and this new revolutionary funding model will help us achieve just that."