



Funding Formula

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Gov. Mike Beebe



“I realize that, without improvement in higher education, our economic development efforts will face enormous barriers.”



State of the State Address

“Our woefully low rates of degree completion must change if we are to truly claim educational success. With thousands more Arkansans now receiving academic scholarships, we have begun addressing the financial barriers that block some students from obtaining their degree.

“With this increased enrollment and increased opportunity, I am committed to seeing increased responsibility for results. I want to tie funding for higher-education institutions more closely to coursework completion and graduation rates, not simply to enrollment.

“These tax dollars must produce college graduates, not just fill up seats. We can and must double the number of college graduates in Arkansas by 2025 if we are to stay competitive. This is a lofty goal aimed at the future, but we must begin implementing it today.”

~ January 11, 2011

What Do State Policymakers Want?

Accountability:

- More graduates in high demand fields
- More focus on success of underserved populations

Better Performance:

- Efficient and cost-effective instructional delivery focused on completions

Collaboration:

- Particularly among two-year and four-year institutions



What Is Performance Funding

“Performance funding is a method of funding public institutions based not on inputs, such as enrollments, but on outcomes, such as retention, degree completion, and job placement...”

“The principal rationale for performance funding has been that performance funding will prod institutions to be more effective and efficient, particularly in a time of increasing demands on higher education and increasingly straitened state finances.”

Source: Community College Research Center – Working Paper #22



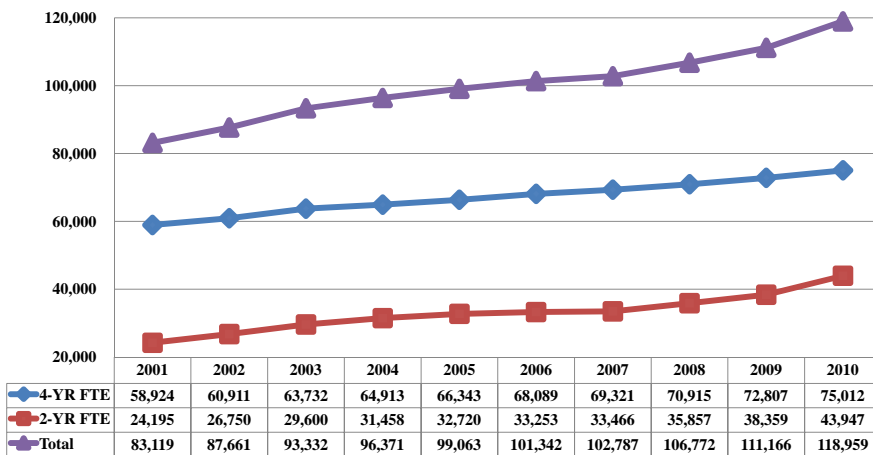
Why Performance Funding?

- Why are states turning to performance funding? What are they doing?
- How can we align incentives with desired results?
For institutions, students, faculty, staff?
- What have we learned from previous efforts?
- What are the pros and cons of performance funding?
- What’s happening in Arkansas?

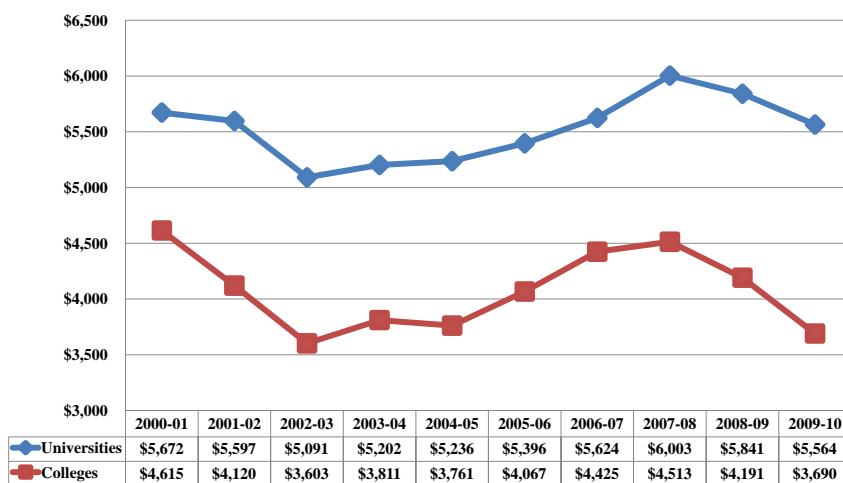


Enrollment Growth

FTE Growth 2001-2010

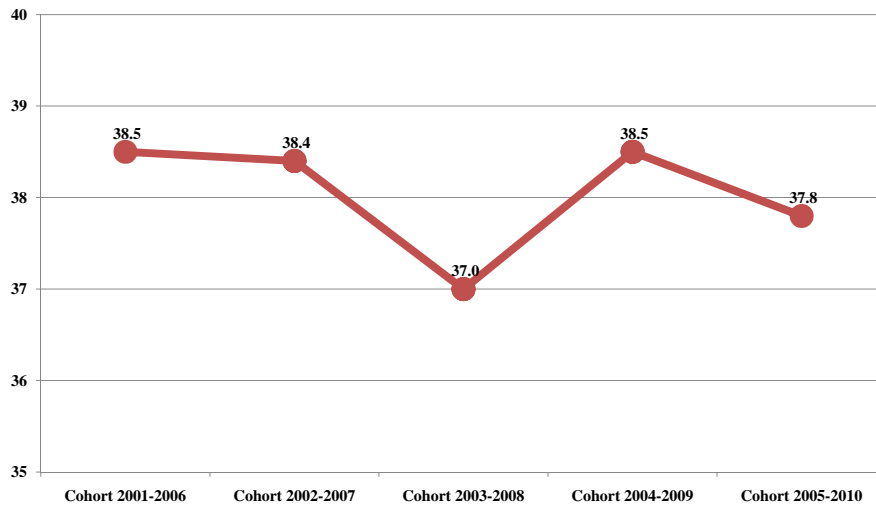


State Funds Per FTE



"State funding for Higher Education continues to decline nationally per FTE." ~ *The Money Matters*

Graduation Rates



Leading the Way

- **Louisiana**
 - Tied 25% of state funds to completion/ transfer and articulation/workforce outcomes; graduates ages 25 and older, racial/ ethnic minorities, low income groups; STEM fields
- **Tennessee**
 - Outcomes-based funding model, including end-of-term enrollment, student retention, timely progress toward degree completion; Transfer/articulation and common course numbers
- **Indiana**
 - Degrees awarded; course completions for low-income students; on-time graduation; transfer
- **Washington**
 - Recognized students in all mission areas (including adult basic education and developmental education); reflects diverse communities served by colleges

Attributes of Successful Models

- Commitment of political leaders, trustees, institutional leadership, faculty, staff and students
- Mission sensitivity – not every institution is expected to have high performance in every area
- No funding cliffs – effects phased in over time
- Transparency/accountability with periodic reports on results
- One size does not fit all: Each state approach has been unique, with some sharing of components
- Improvement focus
 - ❖ Institutions should be able to influence the results over a reasonable timeframe
 - ❖ Institutions should be able to use the information to develop strategies for improving student achievement



Needs-Based Funding Model

- The initial funding formula (Acts 1429 and 1760 of 2005) was a Needs-Based model and was based on the type of institution and level of enrollment, missions and various other components.
- ADHE has incorporated performance (completion) incentives into the model during the last few legislative sessions:
 - 2009-11 funding recommendations were based on 90% census date SSCH and 10% end of term SSCH
 - 2011-13 funding recommendations were based on 80% census date SSCH and 20% end of term SSCH



Act 1203 of 2011

- Amends Arkansas Code 6-61-224 to instruct ADHE – in collaboration with the Presidents & Chancellors – to develop funding formulas with a Needs-Based component and an Outcomes-Centered component (Performance)
- The Outcomes-Centered component will be implemented beginning in the 2012-13 school year with funding recommendations affected for the 2013-14 school year



Act 1203 cont.

Funding Allocations

School Year	Needs-Based	Outcomes-Centered
2013-2014	95%	5%
2014-2015	90%	10%
2015-2016	85%	15%
2016-2017	80%	20%
2017-2018	75%	25%

Act 1203 cont.

- The Outcomes-Centered components may include without limitation:
 - End-of-course enrollment
 - Student retention
 - Student progression toward credential completion
 - Number of credentials awarded, including an emphasis on high-demand credentials (STEM)
 - Minority, nontraditional, and economically disadvantaged students
 - Student transfer activity
 - Research activity



Act 1203 cont.

- The model shall hold institutions accountable for increasing the educational attainment levels of Arkansans by:
 - Addressing the state’s economic development and workforce needs
 - Promoting increased certificate and degree production while maintaining a high level of rigor
 - Acknowledging the unique mission of each institution and allowing for collaboration and minimal redundancy in degree offerings and competitive research
 - Promoting a seamless and integrated system of postsecondary education designed to meet the needs of all students
 - Addressing institutional accountability for the quality of instruction and student learning, including remedial instruction



Outcomes-Centered Model

- Under the Outcomes-Centered Model, each institution's unique mission and individual circumstance will be considered in the development of performance measures.
 - ❖ For example, research universities such as UAF, ASUJ, and UALR may include research incentives that wouldn't be as applicable to the other institutions.
- The Outcomes-Centered Model will be flexible and can accommodate future shifts in mission or productivity emphasis.



Revising the Needs-Based Model

- Revisions to the Needs-Based funding model will need to be reviewed in order to ensure the most accurate need is generated:
 - Tuition policy and faculty salary rates will be re-evaluated and based on current SREB information
 - Census date SSCH only will be used
 - Distance Education Policy was implemented for Fiscal Year 2012 and will continue to be enforced in the Needs-Based model

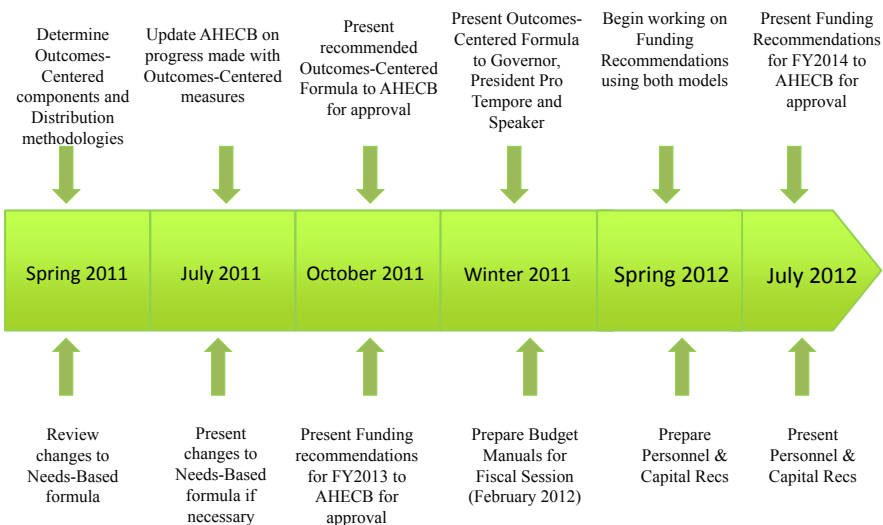


Important Points

- There will be two separate pools of funding:
 - Needs-Based model
 - Outcomes-Centered model
- No institution will lose more than 5% of the previous year's base
- Only the performance pool will be subject to reallocation based on the institutions' predetermined measures



Timeline



Challenges Ahead

- It will be important to:
 - Involve all stakeholders early on
 - Recognize funds needed to support institutions' core functions
 - Determine how to account for differences in missions
 - Maintain consistency in data among institutions
 - Know your institution and what is needed to be successful
 - Ensure grade inflation is avoided



Changing the Conversation

- Stakeholders at all levels should:
 - Know their campus numbers
 - Know their campus trend lines
 - Know how their campus compares to top-performing peers
 - Set specific goals for improvement



Enrollment vs. Graduation

Fall 2010 Enrollment is All-Time Record for ASU



5.00005 rating

Reported by KARK 4 News
Wednesday, September 08, 2010



University of Arkansas Arkansas Newswire

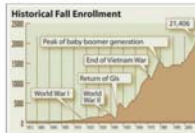
University Enrollment Shows Largest Numerical Increase in 64 Years

7.8 percent increase raises total enrollment to over 21,400

Friday, September 10, 2010

Interim chancellor Dr. O. Daniel Howard positively upon the quality and value of increase occurred simultaneously with increases in graduate admissions stand administrators who contributed, individuals ASU's recent ranking by the editors of college in the American Best Colleges & qualified students in the future."

FAYETTEVILLE, Ark. – Preliminary figures show that for the fall 2010 semester the University of Arkansas has posted its largest numerical enrollment increase since 1946. A total of 21,406 students were enrolled on Sept. 7, the 11th day of classes, when the state requires universities to take an enrollment "snapshot." This number represents an increase of 1,557 students from last year, a 7.8 percent increase. This is the largest percentage increase since 1975.



"Arkansas Tech University has continued to grow because we are sound academically, we are a great value among the top five four-year institutions in our state and we create an environment where people of all backgrounds are comfortable," said Dr. Robert C. Brown, Arkansas Tech president. "Our unprecedented streak of 12 consecutive record enrollments is a testament to the quality of our faculty, the quality of our programs and our commitment to provide a well-founded and meaningful experience for our students."

Scholarships Affecting Growth

Arkansas State University is reporting enrollment, which may be tied to a lottery receiving scholarship funding through the Scholarship Lottery.

It has seen a 27 percent increase in first-time enrollment according to the school's president. It's not clear how many of those are benefiting from the lottery.

He noted that the lottery has affected the growth of enrollment about the cost of college.

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Enrollment vs. Graduation

Graduation Rates

at All-Time High University of Arkansas Arkansas Newswire

Reported by KARK 4 News
Wednesday, September 08, 2010



Graduation Rates at Largest Numerical Increase Ever

Increase Shows Commitment to Governor's Goal of Doubling Degrees

Friday, September 10, 2010

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Graduation Rates for Adult Learners

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Summary

- The work other states have done to implement Outcomes-Centered formulas will be helpful in our preparation, but Arkansas and its institutions are unique and this must be kept in mind throughout the process
- Many sets of standards may be created because of the differences that exist between institutions
- What doesn't work will be just as important as what does work
- The process will start immediately with the Presidents and Chancellors working with ADHE to develop standards

