1   State of Arkansas

2   86th General Assembly

A Bill

3   Regular Session, 2007   SENATE BILL 842

4

5   By: Senator Bisbee

6

7

For An Act To Be Entitled

8

9   AN ACT TO CREATE A FUNDING FORMULA FOR PUBLIC

10   INSTITUTIONS OF HIGHER EDUCATION THAT USES

11   PERFORMANCE MEASURES; TO CREATE THE HIGHER

12   EDUCATION PERFORMANCE MEASURE PROGRAM; AND FOR

13   OTHER PURPOSES.

14

Subtitle

15

16   TO CREATE A FUNDING FORMULA FOR PUBLIC

17   INSTITUTIONS OF HIGHER EDUCATION THAT

18   USES PERFORMANCE MEASURES AND TO CREATE

19   THE HIGHER EDUCATION PERFORMANCE MEASURE

20   PROGRAM.

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22

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

24

25   SECTION 1. Arkansas Code Title 6, Chapter 61 is amended to add an

26 additional subchapter to read as follows:

27   6-61-1301. Title.

28   This subchapter shall be known and may be cited as the "Higher

29 Education Performance Measure Funding Act".

30

31   6-61-1302. Findings.

32   The General Assembly finds that public institutions of higher education

33 in the state have traditionally been funded without any consideration given

34 to the performance of the institution of higher education in achieving

35 specific goals that are known to be significant in determining the quality of

36 the education to the student and the benefit to the state by providing a

highly skilled workforce, including:

        (1) Improvement in the course completion and grade receipt rate;

        (2) Certification of maximum-credit-hours-to-degree rate for programs that are to receive state funding for student semester hour credit;

        (3) Improvement in the number of students who transfer from a two-year college and complete a four-year degree;

        (4) Transferability of courses;

        (5) Increase in the retention rate; and

        (6) Increase in the graduation rate.

6-61-1303. Definition.

As used in this subchapter, "institution of higher education" means a public institution of higher education and includes universities and two-year colleges.

6-61-1304. Creation — Purpose.

(a) There is created the Higher Education Performance Measure Program to be administered by the Arkansas Higher Education Coordinating Board and the Department of Higher Education.

(b) The purpose of this program is to improve undergraduate education at public institutions of higher education by improving the performance of the institutions of higher education as their performance relates to delivering a quality education to students and to providing a highly skilled workforce.

6-61-1305. Development of funding formulas — Implementation date.

(a) The Department of Higher Education, with the approval of the Arkansas Higher Education Coordinating Board, shall develop funding formulas based on the six (6) performance measures in this subchapter.

(b) This subchapter shall be implemented beginning on July 1, 2009.

6-61-1306. Course completion performance measure.

(a) The funding formula for institutions of higher education shall include a component that provides funding based upon the latest available student semester credit hour enrollment information for students who completed each course and earned a grade.

1   (b) Census date enrollments shall not be used for determining the
2   funding needs of an institution of higher education, and funding shall be
3   determined as provided under this subchapter.
4
5   6-61-1307. Maximum-credit-hours-to-degree rate performance measure.
6   (a)(1) Except as provided under subsection (c) of this section, the
7   funding formula for institutions of higher education shall include a
8   component that provides funding for institutions of higher education only for
9   the course-completion student semester credit hour for students who are
10   enrolled in academic programs that have been certified to meet the maximum
11   credit-hours-to-degree rate.
12   (2) State funding shall not be provided for any of the student
13   semester credit hours taken by students in a program that has not been
14   certified as in compliance with the maximum credit-hours-to-degree rate.
15   (b)(1) The credit-hours-to-degree rate for a four-year degree shall
16   not exceed one hundred twenty-four (124) credit hours.
17   (2) The credit-hours-to-degree rate for a two-year degree or a
18   technical certificate shall be determined by the Department of Higher
19   Education and approved by the Arkansas Higher Education Coordinating Board.
20   (c) The Department of Higher Education, with the approval of the
21   Arkansas Higher Education Coordinating Board, may grant an exception for the
22   credit-hours-to-degree rate for a program.
23   (d) The Department of Higher Education, with the approval of the
24   Arkansas Higher Education Coordinating Board, shall develop funding
25   incentives for degrees in subject-matter areas that are critically needed or
26   in critical shortage in the state.
27
28   6-61-1308. Two-year transfer students that complete a four-year degree
29   performance measure.
30   (a) The funding formula for institutions of higher education shall
31   include a component that provides funding to institutions of higher education
32   for transfer students from a public two-year college in Arkansas that
33   complete a four-year degree at a public university in Arkansas.
34   (b) The funding formula shall provide incentives for both the Arkansas
35   public two-year college and the Arkansas public university from which the
36   student graduates.

1
2   6-61-1309. Transferability of courses performance measure.
3   The funding formula for institutions of higher education shall include
4 a component that provides funding based on the Arkansas Course Transfer
5 System (ACTS).
6
7   6-61-1310. Retention rate performance measure.
8   The funding formula for institutions of higher education shall include
9 a component that provides funding to reward an institution of higher
10 education for improving its student retention rate and for exceeding a
11 predetermined retention rate established for the institution of higher
12 education based on the characteristics of the students enrolled in the
13 institution of higher education.
14
15   6-61-1311. Graduation rate performance measure.
16   The funding formula for institutions of higher education shall include
17 a component that provides funding to reward an institution for improving its
18 graduation rate and for exceeding a predetermined graduation rate established
19 for the institution of higher education based on the characteristics of the
20 students enrolled in the institution of higher education.
21
22   6-61-1312. Minimum funding.
23   If the enrollment at an institution of higher education is declining or
24 if the institution's performance as compared to the performance measures in
25 this subchapter result in a need that is less than the current funding level,
26 the base funding of the institution of higher education shall only be
27 protected to the extent that an institution's base funding shall not be
28 reduced by more than five percent (5%) in a fiscal year.
29
30   6-61-1313. Rules.
31   The Department of Higher Education shall promulgate rules for the
32 implementation and administration of this subchapter.
33
34   SECTION 2. Beginning on July 1, 2009, Arkansas Code § 6-61-228 is
35 repealed.
36   ~~6-61-228. Creation of funding formula model for universities.~~

1   (a)(1) The funding formula model for universities shall serve as a
2   tool for implementing the broad goals of the State of Arkansas and the
3   Arkansas Higher Education Coordinating Board
4   (2) The model shall ensure adequate, equitable, and stable
5   funding and be based on reliable and uniform data.
6   (3) The model shall be simple to understand, sensitive to
7   universities' differing missions, and responsive to changes within the
8   universities and shall make provisions for special-purpose units.
9   (b)(1) The model shall determine the funding needs of universities
10   using six (6) student-semester-credit-hour-based expenditure functions, one
11   (1) square-footage-based function for facilities, and two (2) or more
12   special-mission functions.
13   (2) The model shall also provide for economy or diseconomy of
14   scale for universities with fewer than three thousand five hundred (3,500)
15   full-time-equivalent student enrollment.
16   (c)(1) The six (6) student-semester-credit-hour-based expenditure
17   functions shall be:
18   (A) Teaching salaries;
19   (B) Other instructional costs;
20   (C) Library costs;
21   (D) General institutional support;
22   (E) Research; and
23   (F) Public service.
24   (2) The square-footage-based expenditure function shall be for
25   facilities maintenance and operations.
26   (3) The special missions to receive consideration in the funding
27   formula model shall be universities with a traditional minority mission or a
28   land grant mission, or both.
29   (d)(1) Teaching Salaries. To determine the teaching salary needs of
30   the universities, the student-semester-credit-hour component of each
31   university shall be summarized into four (4) discipline cost categories:
32   (A) Cost Category I shall include the following
33   instructional discipline classifications:
34   (i) English;
35   (ii) General studies;
36   (iii) Mathematics;

1   (iv) ~~Interdisciplinary studies;~~
2   (v) ~~Health-related knowledge;~~
3   (vi) ~~Interpersonal skills;~~
4   (vii) ~~Leisure and recreational activities;~~
5   (viii) ~~Personal awareness;~~
6   (ix) ~~Philosophy;~~
7   (x) ~~Psychology;~~
8   (xi) ~~Public administration; and~~
9   (xii) ~~Social sciences;~~
10   (B) ~~Cost category II shall include:~~
11   (i) ~~Ethnic and cultural studies;~~
12   (ii) ~~Marketing;~~
13   (iii) ~~Communications;~~
14   (iv) ~~Education;~~
15   (v) ~~Languages;~~
16   (vi) ~~Home economics;~~
17   (vii) ~~Law;~~
18   (viii) ~~Biological sciences;~~
19   (ix) ~~Parks and recreation;~~
20   (x) ~~Basic skills;~~
21   (xi) ~~Construction trades;~~
22   (xii) ~~Mechanics;~~
23   (xiii) ~~Precisions;~~
24   (xiv) ~~Production;~~
25   (xv) ~~Transportation; and~~
26   (xvi) ~~Business management;~~
27   (C) ~~Cost Category III shall include:~~
28   (i) ~~Agriculture;~~
29   (ii) ~~Conservation;~~
30   (iii) ~~Architecture;~~
31   (iv) ~~Communication technologies;~~
32   (v) ~~Computer and information sciences;~~
33   (vi) ~~Library science;~~
34   (vii) ~~Physical sciences;~~
35   (viii) ~~Science technology;~~
36   (ix) ~~Visual and performing arts; and~~

1   (x) Health professions; and

2   (D) Cost Category IV shall include:

3   (i) Engineering; and

4   (ii) Engineering-related technology.

5   (2) A university's annualized student semester credit hours

6 component in each cost category shall be summarized into three (3)

7 instructional levels: undergraduate, graduate, and doctoral to produce a

8 four-by-three (4x3) matrix or table containing the university's student

9 semester credit hours in each cost category and level.

10   (3)(A) Teaching salary computations shall be determined by

11 dividing each of the twelve (12) cells of the table by the number of student

12 semester credit hours that have been determined by research to be needed to

13 produce a full-time-equivalent faculty member.

14   (B) Those student semester credit hour standards shall be:

15

16

Cost Category	Undergraduate	Graduate	Doctoral
I	645	170	130
II	480	250	145
III	365	160	120
IV	230	102	70

25   (4)(A) A university's student semester credit hours in each cost

26 category shall be divided by the applicable standards in subdivision

27 (d)(3)(B) of this section to determine the number of full-time-equivalent

28 faculty needed at each of the three (3) instructional levels.

29   (B)(i) The number of faculty at each instructional level

30 shall be multiplied by an average Southern Regional Education Board faculty

31 salary for a university at that level to ensure that every university

32 receives the same funds for the same discipline and level of student semester

33 credit hours.

34   (ii) The sum of the teaching salaries at the three

35 (3) instructional levels shall constitute the teaching salaries need of the

36 university.

1   (e) Other Instructional Costs. Other instructional costs of the
2   university shall be calculated as an amount equal to forty-five percent (45%)
3   of teaching salaries of the university.
4   (f) Library Costs. Library costs shall be calculated as an amount
5   equal to eleven percent (11%) of the sum of the teaching salaries and other
6   instructional costs of the university.
7   (g) General Institutional Support. General institutional support of
8   the university shall be calculated as an amount equal to fifty-four percent
9   (54%) of the sum of teaching salaries and other instructional costs of the
10   university.
11   (h) Research. Research funding of the university shall be calculated
12   as an amount equal to five percent (5%) of the undergraduate teaching
13   salaries need plus twenty-five percent (25%) of graduate teaching salaries
14   plus fifty percent (50%) of doctoral teaching salaries.
15   (i) Public Service. Public service funding of the university shall be
16   an amount equal to three percent (3%) of teaching salaries of the university.
17   (j)(1) Facilities Maintenance and Operations. Facilities maintenance
18   and operations funding of the university shall be based upon the university's
19   needed square footage as determined by the Five-Factor Academic Space
20   Prediction Model that considers the discipline and level of the student
21   semester credit hours of each university.
22   (2) For each year of a biennium, the Arkansas Higher Education
23   Coordinating Board staff shall determine a funding rate per square foot based
24   upon the most recent cost experiences of the universities.
25   (3) The rate calculated in subdivision (j)(2) of this section
26   shall be multiplied by the university's actual square footage that the space
27   prediction model has determined the university needs.
28   (4) Excess square footage above the space prediction model's
29   established need shall be funded at one-half (1/2) that rate.
30   (5) Universities with less square footage than the space
31   prediction model-determined need will receive one-half (1/2) the established
32   rate for the additional square footage needed.
33   (k)(1) Special Missions. A federally designated land grant university
34   shall receive special mission funding in the amount of ten percent (10%) of
35   teaching salaries of the university in recognition of its federally mandated
36   research and public service mission.

1   (2) The universities with a traditional minority mission shall
2 receive an additional amount equal to ten percent (10%) of all student
3 semester credit hours or full-time-equivalent-based portions of the funding
4 formula.
5   (l)(l) Economy/Diseconomy of Scale. The funding formula shall include
6 an economy/diseconomy of scale provision for universities with fewer than
7 three thousand five hundred (3,500) full-time-equivalent student enrollment.
8   (2) The Arkansas Higher Education Coordinating Board staff in
9 consultation with the presidents and chancellors of the universities shall
10 determine the method of calculation.
11   (3) For the 2005-2007 biennium, that method is:
12
13 FTEs Below 3,500   FTE
14
15 1 - 150 $1,200
16
17 Next 150 $1,000
18
19 Next 200 $ 800
20
21 Next 250 $ 600
22
23 Next 250 $ 300
24
25 Next 200 $ 200
26   (m)(l) Funding Formula Model. The total expenditure needs of each
27 university shall be determined by adding all of the funding needs determined
28 under subsections (d)-(l) of this section.
29   (2) Appropriation needs for a university shall be determined by
30 subtracting from the total expenditure needs the tuition and fee revenues
31 calculated as the sum of one hundred thirty dollars ($130) for each
32 undergraduate student semester credit hour, one hundred ninety dollars ($190)
33 for each graduate student semester credit hour, and two hundred thirty
34 dollars ($230) for each doctoral student semester credit hour.
35   (3)(A) This funding formula model is designed to produce
36 educational and general operating funds for universities of higher education

1 that generate student semester credit hours.
2   (B) This model does not determine the funding needs of
3 special units, such as the medical school, division of agriculture, and
4 system offices.
5   (4) This model does not provide for capital or personal services
6 recommendations.
7   (5) This model does not provide funds for institutional
8 scholarships, debt service, or fund transfers.
9   (6)(A) The revenue domain for the funding formula model shall
10 include only state appropriations and student tuition and fee income and does
11 not include private contributions and other discretionary funds.
12   (B) The revenue domain shall exclude funding at the
13 universities from all sources other than from state appropriations and
14 student tuition, including, but not limited to, the federal government,
15 private sources, and self-supporting activities.
16   (C) Since the general definition specifies operating
17 funds, the funding formula model also does not consider the appropriation and
18 allocation of capital funds.
19   (n)(1) The funding formula model shall be utilized only to allocate
20 funds to the universities.
21   (2) This funding formula model shall not be used to prescribe
22 the allocation of those funds within the universities.
23
24   SECTION 3. Beginning on July 1, 2009, Arkansas Code § 6-61-229 is
25 repealed.
26   6-61-229. Funding formula model for two-year colleges.
27   (a) The funding formula model for two-year colleges shall:
28   (1) Serve as a tool for implementing the broad goals of the
29 State of Arkansas and the Arkansas Higher Education Coordinating Board;
30   (2) Be based on reliable and uniform data;
31   (3) Be simple to understand, sensitive to colleges' differing
32 missions, and responsive to changes within them; and
33   (4) Make provisions for special-purpose units.
34   (b)(1) The model shall determine the funding needs of two-year
35 colleges in four (4) student-semester-credit-hour or full-time-equivalent,
36 student-based expenditure functions, one (1) square-footage-based expenditure

1   function, and one (1) contact hour expenditure function.

2   (2)(A) The student semester credit hour or full-time equivalent-

3   based expenditure functions shall include:

4   (i) Teaching salaries;

5   (ii) Academic support;

6   (iii) Student services; and

7   (iv) Institutional support.

8   (B) The square footage-based expenditure function shall be

9   designated for facilities maintenance and operations.

10   (C) Funding for workforce education programs shall be

11   determined from student contact hours.

12   (c) In order to determine the teaching salaries needs of the two-year

13   colleges, the student semester credit hour shall be summarized into four (4)

14   academic discipline categories based upon the relative costs of academic

15   programs as determined by historical expenditure patterns.

16   (d) The cost categories shall be designated as general education,

17   technical education, basic skills, and allied health as follows:

18   (1) General education shall include the following academic

19   disciplines:

20   (A) Agriculture business;

21   (B) Natural resources;

22   (C) Archeology;

23   (D) Communications;

24   (E) Education;

25   (F) Engineering;

26   (G) Foreign languages;

27   (H) Home economics;

28   (I) Law;

29   (J) Letters;

30   (K) Liberal studies;

31   (L) Biology or life sciences, or both;

32   (M) Mathematics;

33   (N) Interdisciplinary;

34   (O) Health;

35   (P) Recreation;

36   (Q) Philosophy;

1   (R) Physical sciences;
2   (S) Psychology;
3   (T) Public administration;
4   (U) Social sciences;
5   (V) Transportation;
6   (W) Visual arts; and
7   (X) Performing arts;
8   (2) Technical education shall include the following academic
9   disciplines:
10   (A) Agriculture;
11   (B) Marketing;
12   (C) Communications technology;
13   (D) Engineering technology;
14   (E) Technical education;
15   (F) Science technology;
16   (G) Protective services;
17   (H) Construction trades;
18   (I) Mechanics;
19   (J) Precision production; and
20   (K) Business management;
21   (3) Basic skills shall include remedial or developmental, or
22 both, student semester credit hours; and
23   (4) Allied health shall include health professions.
24   (e)(1) The number of full-time-equivalent faculty needed by a college
25 shall be determined using the established workload standards required to
26 produce a need for one (1) full-time-equivalent faculty member.
27   (2) The workload standards to produce a full-time-equivalent
28 faculty member shall be:
29   (A) Six hundred sixty (660) student semester credit hours
30 for general education;
31   (B) Four hundred eighty (480) student semester credit
32 hours for technical education and basic skills; and
33   (C) Four hundred twenty (420) student semester credit
34 hours for allied health.
35   (f)(1) The full-time-equivalent faculty needs of each college shall be
36 determined by dividing the workload standards into the college's student

1   semester credit hours in that cost category.
2   (2) Funding for teaching salaries for each college shall be
3   determined by multiplying the total or full-time-equivalent faculty needs of
4   each college by the predicted Southern Regional Education Board average
5   salary for two-year colleges with no academic rank.
6   (3) The teaching salary funding shall be adjusted for the use of
7   part-time faculty or full-time-equivalent faculty needs generated by student
8   semester credit hours taught by part-time faculty and shall be funded at one-
9   half (1/2) of the rate of those student semester credit hours taught by full-
10 time faculty members.
11   (4) The part-time faculty adjustment for each college will be
12 determined each biennium by the Department of Higher Education staff.
13   (5) The fringe benefits for teaching salaries shall be
14 determined by multiplying the teaching salaries funding by the current
15 average fringe benefit rate, which shall be determined for the biennium by
16 the department staff.
17   (6) The total teaching salaries needs of a college shall include
18 the fringe benefits and teaching salary needs.
19   (g)(1) Funding needs for the academic support functions shall be equal
20 to sixty percent (60%) of adjusted teaching salaries plus thirty-five
21 thousand dollars ($35,000) for a staff salary in public service.
22   (2) Fringe benefits for academic support shall be determined by
23 multiplying the fringe benefit rate determined for the biennium by sixty
24 percent (60%) of the academic support funding described in subdivision (g)(1)
25 of this section.
26   (h)(1) The funding needs for student services shall be calculated
27 based on a variable rate per student using the mean of full-time-equivalent
28 enrollment and headcount enrollment.
29   (2) Student services funding shall include an economy-of-scale
30 component that will provide progressively less funding per student over
31 established enrollment levels.
32   (3) For the 2005-2007 biennium, student services funding for the
33 first seven hundred fifty (750) students shall be six hundred fifty dollars
34 ($650); four hundred fifty dollars ($450) for each of the next two thousand
35 two hundred hundred fifty (2,250) students; and two hundred fifty dollars
36 ($250) for all students in excess of a three thousand (3,000) full-time-

1   equivalent enrollment level.
2   (4) The funding rates for each level shall have a full-time-
3   equivalent enrollment level that shall be adjusted biennially for inflation.
4   (5) Full-time-equivalent enrollment levels shall be reviewed
5   annually to determine whether they require adjustment.
6   (6) Fringe benefits for student services shall be calculated as
7   an amount equal to the biennial fringe benefit rate multiplied by sixty
8   percent (60%) of the calculated student services funding needs under
9   subdivision (h)(3) of this section.
10   (i) Institutional support funding shall be an amount
11   equal to eighteen percent (18%) of the total of the teaching salaries,
12   academic support, student services, and facilities maintenance and
13   operations.
14   (j) Facilities maintenance and operations funding shall include an
15   intensity factor for all institutions:
16   (1) Colleges whose square footage per full-time-equivalent
17   student is greater than the average shall have an intensity factor of one
18   (1), but no college shall receive funding for more than one and one-half
19   (1.5) times the average square footage per full-time-equivalent student
20   multiplied by the college's full-time-equivalent enrollment;
21   (2) Those colleges whose square feet per full-time-equivalent
22   student is less than the average square footage per full-time-equivalent
23   student shall have an intensity factor that is determined by multiplying the
24   full-time-equivalent enrollment by the average square footage per full-time-
25   equivalent student and dividing the result by the actual square footage;
26   (3) The portion above one (1) shall be multiplied by sixty-five
27   hundredths (0.65) and added back to one (1) to arrive at the intensity factor
28   for the college. The Arkansas Higher Education Coordinating Board staff shall
29   determine a funding rate per square foot based on the most recent cost
30   experiences of the institutions;
31   (4) That rate shall be multiplied by the institution's actual
32   square footage and the intensity factor for the institution; and
33   (5) Staff benefits for facilities maintenance and operations
34   shall be determined by multiplying sixty percent (60%) of the square footage
35   funding and multiplying it by the biennial fringe benefit rate.
36   (k) Funding for workforce education shall be based on contact hours

1 and shall be calculated by using an established rate for the first ten
2 thousand (10,000) contact hours, a lesser rate for the next ten thousand
3 (10,000), and a lesser rate for all noncredit contact hours in excess of
4 twenty thousand (20,000).
5   (l) The total expenditure needs of each college shall be equal to the
6 sum of teaching salaries, academic support, student services, institutional
7 support, facilities maintenance and operations, and workforce education.
8   (m)(1) The appropriation needs of each college shall be the total
9 expenditure needs of the college less the calculated tuition and fee income.
10   (2) The Arkansas Higher Education Coordinating Board shall
11 establish biennially a tuition rate per credit hour for two-year colleges
12 with revenue derived from a local tax, including, but not limited to, a sales
13 tax or an ad valorem tax, and a higher per credit hour tuition rate for those
14 colleges without revenue derived from a local tax.
15   (n)(1) The formula does not provide funds for institutional
16 scholarships, debt service, or fund transfers.
17   (2) The revenue domain for the funding model shall include only
18 state appropriations and student tuition and fee income and shall not include
19 private contributions and other discretionary funds.
20   (3) The revenue domain shall exclude funding at the colleges
21 from all sources other than from student tuition and state appropriations,
22 including, but not limited to, local tax levies, the federal government,
23 private sources, and self-supporting activities.
24   (4) Since the general definition specifies operating funds, the
25 funding model also does not consider the appropriation and allocation of
26 capital funds.
27   (o)(1) The funding formula model shall only be utilized to allocate
28 funds to the two-year colleges.
29   (2) It shall not be used to prescribe the allocation of those
30 funds within the colleges.
31   (p) Notwithstanding the provisions of this section, each two-year
32 college shall receive a minimum base funding equal to the greater of three
33 million dollars ($3,000,000) per fiscal year or an amount equal to the
34 previous year's funding per fiscal year.
35
36   SECTION 4. Beginning on July 1, 2009, Arkansas Code § 6-61-230 is

1   repealed.

2   ~~6-61-230. Review of funding formula.~~

3   ~~The Arkansas Higher Education Coordinating Board, in collaboration with~~

4   ~~the Executive Council of the Presidents Council, shall review the funding~~

5   ~~formula biennially and make written recommendations for appropriate~~

6   ~~modifications or changes to the President Pro Tempore of the Senate, the~~

7   ~~Speaker of the House of Representatives, and the Governor by October 15 of~~

8   ~~the year prior to each regular session of the General Assembly.~~

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