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A Bill

HOUSE BILL 1209

By: Representatives Lowery, Cozart, M. Gray, Ladyman, Maddox, Richmond, Rye, Sturch, Sullivan, Vaught, Wing
By: Senators E. Williams, J. English

For An Act To Be Entitled

AN ACT TO ADOPT A PRODUCTIVITY-BASED FUNDING MODEL FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION; AND FOR OTHER PURPOSES.

Subtitle

TO ADOPT A PRODUCTIVITY-BASED FUNDING MODEL FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION.

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

SECTION 1. Arkansas Code Title 6, Chapter 61, Subchapter 2, is amended to add an additional section to read as follows:

6-61-234. Productivity-based funding model.

(a)(1)(A) The Arkansas Higher Education Coordinating Board shall adopt policies developed by the Department of Higher Education necessary to implement a productivity-based funding model for state-supported institutions of higher education.

(B) The board shall adopt separate policies for two-year institutions of higher education and four-year institutions of higher education.

(2) The policies adopted to implement a productivity-based funding model for state-supported institutions of higher education shall contain measures for effectiveness, affordability, and efficiency that acknowledge the following priorities:

(A) Differences in institutional missions;

(B) Completion of students' educational goals;

(C) Progression toward students' completion of programs of study;

(D) Affordability through:

(i) On-time completion of programs of study;

(ii) Limiting the number of excess credits earned by students; and

(iii) Efficient allocation of resources;

(E) Institutional collaboration that encourages the successful transfer of students;

(F) Success in serving underrepresented students; and

(G) Production of students graduating with credentials in science, technology, engineering, mathematics, and high-demand fields.

(3) The productivity-based funding model shall not determine the funding needs of special units such as a medical school, division of agriculture, or system offices.

(b) The productivity-based funding model shall be:

(1) Used to align institutional funding with statewide priorities for higher education by:

(A) Encouraging programs and services focused on student success; and

(B) Providing incentives for progress toward statewide goals; and

(2) Built around a set of shared principles that:

(A) Are embraced by state-supported institutions of higher education;

(B) Employ appropriate productivity metrics; and

(C) Are aligned with goals and objectives for postsecondary education attainment in this state.

(c)(1) The board shall use the productivity-based funding model as the mechanism for recommending funding for state-supported institutions of higher education.

(2) The board shall recommend funding for:

(A) State-supported institutions of higher education as a whole; and

(B) The allocation of funding to each state-supported institution of higher education.

(3) The board shall make separate recommendations for two-year institutions of higher education and four-year institutions of higher education.

(d) Funds unallocated to state-supported institutions of higher education due to productivity declines shall be reserved by the department to address statewide needs in higher education.

(e) The department shall review the policies every five (5) years to ensure the productivity-based funding model continues to respond to the needs and priorities of the state.

SECTION 2. Arkansas Code § 6-61-210 is repealed.

~~6-61-210. Allocation of additional state funds.~~

~~(a) The Arkansas Higher Education Coordinating Board is authorized and directed to establish criteria and standards for the allocation of additional state funds provided for such purposes to state-supported institutions of higher learning experiencing enrollment increases greater than were anticipated at the time the board prepared its budget recommendations for allocations of funds to the respective institutions prior to each regular session and fiscal session.~~

~~(b)(1) The criteria and standards shall be applicable to all state-supported institutions of higher learning experiencing enrollment growth.~~

~~(2) However, with respect to the State Medical Center, the board shall develop criteria and standards for measuring and determining the additional financial support required, within the limitation of funds provided therefor, because of unusual factors which create additional spending responsibilities of the State Medical Center.~~

~~(c) The criteria and standards developed by the board for allocating additional financial support to state-supported institutions of higher learning from moneys provided therefor shall be subject to review and approval of the Governor, and the amount to be allocated to each institution shall be upon certification and approval by the Governor.~~

SECTION 3. Arkansas Code § 6-61-224 is repealed.

~~6-61-224. Funding formula — Department of Higher Education.~~

~~(a) The Department of Higher Education, in collaboration with the state college and university presidents and chancellors, shall develop funding formulas consisting of a needs-based component and an outcome-centered component which will, in principle, seek to provide fair and equitable state support to all postsecondary students across the state, regardless of the state institution attended, while at the same time recognizing:~~

~~(1) The different needs for lower level, upper level, and graduate level instruction at the various institutions;~~

~~(2) The requirements for specialized equipment, labs, and smaller class sizes in some disciplines;~~

~~(3) Unique missions such as agricultural extension services, research, medical sciences, workforce development, and public service; and~~

~~(4) Growth, economies of scale, and other appropriate factors.~~

~~(b)(1) The funding formulas for two-year colleges and universities shall be composed of a needs-based component under § 6-61-228(b)-(m) and § 6-61-229(b)-(m) and an outcome-centered component.~~

~~(2) The outcome-centered component shall constitute twenty-five percent (25%) of funding for two-year colleges and universities by the 2017-2018 school year and shall be phased in at a rate of five percent (5%) per year beginning in the 2013-2014 school year.~~

~~(3) The needs-based component shall constitute seventy-five percent (75%) of funding for two-year colleges and universities by the 2017-2018 school year.~~

~~(c) The outcome-centered component measures shall begin in the 2012-2013 school year but may include outcomes from multiple previous years.~~

~~(d)(1) The outcome-centered component shall seek to promote and increase the satisfactory progression, matriculation, and graduation of all students enrolled in two-year colleges and universities.~~

~~(2) The department shall consider the unique factors of each two-year college and university when developing the outcome-centered component, including utilizing variables that may be weighted to reinforce the mission of each two-year college and university and provide incentives for increased credential production.~~

~~(3) The outcome-centered component may include without limitation:~~

~~(A) End-of-course enrollment;~~

~~(B) Student retention;~~

~~(C) Student progression toward credential completion;~~

~~(D) Number of credentials awarded, including an emphasis on high-demand credentials;~~

~~(E) Student transfer activity;~~

~~(F) Research activity; and~~

~~(G) Number of graduates from underserved populations.~~

~~(e) By December 31, 2011, the department shall present the funding formulas approved by the Arkansas Higher Education Coordinating Board, including both the needs-based component and the outcome-centered component, to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Governor.~~

~~(f) It is the intent of the General Assembly that the outcome-centered component of funding formulas for two-year colleges and universities become the primary component for funding purposes.~~

SECTION 4. Arkansas Code § 6-61-228 is repealed.

~~6-61-228. Creation of funding formula model for universities.~~

~~(a) The funding formula model for universities shall:~~

~~(1) Serve as a framework for implementing the broad goals of the State of Arkansas and the Arkansas Higher Education Coordinating Board;~~

~~(2) Ensure adequate, equitable, and stable funding and be based on reliable and uniform data;~~

~~(3) Be simple to understand, sensitive to universities' differing missions, and responsive to changes within the universities and shall make provisions for special-purpose units;~~

~~(4) Hold universities accountable for increasing the educational attainment levels of Arkansas citizens by:~~

~~(A) Addressing the state's economic development and work force needs;~~

~~(B) Promoting increased degree production while maintaining a high level of rigor; and~~

~~(C) Acknowledging the unique mission of each university and allowing for collaboration and minimal redundancy in degree offerings and competitive research;~~

~~(5) Promote a seamless and integrated system of postsecondary education designed to meet the needs of all students; and~~

~~(6) Address institutional accountability for the quality of instruction and student learning, including remedial instruction.~~

~~(b)(1) The model shall determine the funding needs of universities using six (6) student-semester-credit-hour-based expenditure functions, one (1) square-footage-based function for facilities, and two (2) or more special-mission functions.~~

~~(2) The model shall also provide for economy or diseconomy of scale for universities with fewer than three thousand five hundred (3,500) full-time-equivalent student enrollment.~~

~~(c)(1) The six (6) student-semester-credit-hour-based expenditure functions shall be:~~

~~(A) Teaching salaries;~~

~~(B) Other instructional costs;~~

~~(C) Library costs;~~

~~(D) General institutional support;~~

~~(E) Research; and~~

~~(F) Public service.~~

~~(2) The square-footage-based expenditure function shall be for facilities maintenance and operations.~~

~~(3) The special missions to receive consideration in the funding formula model shall be universities with a traditional minority mission or a land grant mission, or both.~~

~~(d)(1) Teaching Salaries. To determine the teaching salary needs of the universities, the student-semester-credit-hour component of each university shall be summarized into four (4) discipline cost categories:~~

~~(A) Cost Category I shall include the following instructional discipline classifications:~~

~~(i) English;~~

~~(ii) General studies;~~

~~(iii) Mathematics;~~

~~(iv) Interdisciplinary studies;~~

~~(v) Health-related knowledge;~~

~~(vi) Interpersonal skills;~~

~~(vii) Leisure and recreational activities;~~

~~(viii) Personal awareness;~~
~~(ix) Philosophy;~~
~~(x) Psychology;~~
~~(xi) Public administration; and~~
~~(xii) Social sciences;~~
~~(B) Cost Category II shall include:~~
~~(i) Ethnic and cultural studies;~~
~~(ii) Marketing;~~
~~(iii) Communications;~~
~~(iv) Education;~~
~~(v) Languages;~~
~~(vi) Home economics;~~
~~(vii) Law;~~
~~(viii) Biological sciences;~~
~~(ix) Parks and recreation;~~
~~(x) Basic skills;~~
~~(xi) Construction trades;~~
~~(xii) Mechanics;~~
~~(xiii) Precisions;~~
~~(xiv) Production;~~
~~(xv) Transportation; and~~
~~(xvi) Business management;~~
~~(C) Cost Category III shall include:~~
~~(i) Agriculture;~~
~~(ii) Conservation;~~
~~(iii) Architecture;~~
~~(iv) Communication technologies;~~
~~(v) Computer and information sciences;~~
~~(vi) Library science;~~
~~(vii) Physical sciences;~~
~~(viii) Science technology;~~
~~(ix) Visual and performing arts; and~~
~~(x) Health professions; and~~
~~(D) Cost Category IV shall include:~~
~~(i) Engineering; and~~
~~(ii) Engineering-related technology.~~

~~(2) A university's annualized student semester credit hours component in each cost category shall be summarized into three (3) instructional levels, undergraduate, graduate, and doctoral, to produce a four-by-three matrix or table containing the university's student semester credit hours in each cost category and level.~~

~~(3)(A) Teaching salary computations shall be determined by dividing each of the twelve (12) cells of the table by the number of student semester credit hours that have been determined by research to be needed to produce a full-time-equivalent faculty member.~~

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

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

~~(4)(A) A university's student semester credit hours in each cost category shall be divided by the applicable standards in subdivision (d)(3)(B) of this section to determine the number of full-time-equivalent faculty needed at each of the three (3) instructional levels.~~

~~(B)(i) The number of faculty at each instructional level shall be multiplied by an average Southern Regional Education Board faculty salary for a university at that level to ensure that every university receives the same funds for the same discipline and level of student semester credit hours.~~

~~(ii) The sum of the teaching salaries at the three (3) instructional levels plus a fringe benefits rate that will be determined by the department staff shall constitute the teaching salaries need of the university.~~

~~(e) Other Instructional Costs. Other instructional costs of the university shall be calculated as an amount equal to forty-five percent (45%) of teaching salaries of the university.~~

~~(f) Library Costs. Library costs shall be calculated as an amount equal to eleven percent (11%) of the sum of the teaching salaries and other instructional costs of the university.~~

~~(g) General Institutional Support. General institutional support of the university shall be calculated as an amount equal to fifty-four percent~~

~~(54%) of the sum of teaching salaries and other instructional costs of the university.~~

~~(h) Research. Research funding of the university shall be calculated as an amount equal to five percent (5%) of the undergraduate teaching salaries need plus twenty-five percent (25%) of graduate teaching salaries plus fifty percent (50%) of doctoral teaching salaries.~~

~~(i) Public Service. Public service funding of the university shall be an amount equal to three percent (3%) of teaching salaries of the university.~~

~~(j)(1) Facilities Maintenance and Operations. Facilities maintenance and operations funding of the university shall be based upon the university's needed square footage as determined by the Five-Factor Academic Space Prediction Model that considers the discipline and level of the student semester credit hours of each university.~~

~~(2) For each year of a biennium, the Arkansas Higher Education Coordinating Board staff shall determine a funding rate per square foot based upon the most recent cost experiences of the universities.~~

~~(3) The rate calculated in subdivision (j)(2) of this section shall be multiplied by the university's actual square footage that the space prediction model has determined the university needs.~~

~~(4) Excess square footage above the space prediction model's established need shall be funded at a rate determined by the Arkansas Higher Education Coordinating Board staff.~~

~~(5) Universities with less square footage than the space prediction model-determined need shall be funded at a rate determined by the Arkansas Higher Education Coordinating Board staff.~~

~~(k)(1) Special Missions. A federally designated land grant university shall receive special mission funding in the amount of ten percent (10%) of teaching salaries of the university in recognition of its federally mandated research and public service mission.~~

~~(2) The universities with a traditional minority mission shall receive an additional amount equal to fifteen percent (15%) of all student semester credit hours or full-time-equivalent-based portions of the funding formula.~~

~~(l)(1) Economy/Diseconomy of Scale. The funding formula shall include an economy/diseconomy of scale provision for universities with fewer than three thousand five hundred (3,500) full-time-equivalent student~~

~~enrollment.~~

~~(2) The Arkansas Higher Education Coordinating Board staff in consultation with the presidents and chancellors of the universities shall determine the method of calculation.~~

~~(m)(1) Funding Formula Model. The total expenditure needs of each university shall be determined by adding all of the funding needs determined under subsections (d)-(l) of this section.~~

~~(2)(A) Appropriation needs for a university shall be determined by subtracting from the total expenditure needs the tuition and fee revenues.~~

~~(B) The Arkansas Higher Education Coordinating Board shall establish biennially a tuition rate per credit hour for universities to be used for funding formula purposes.~~

~~(3)(A) This funding formula model is designed to produce educational and general operating funds for universities of higher education that generate student semester credit hours.~~

~~(B) This model does not determine the funding needs of special units, such as the medical school, division of agriculture, and system offices.~~

~~(4) This model does not provide for capital or personal services recommendations.~~

~~(5) This model does not provide funds for institutional scholarships, debt service, or fund transfers.~~

~~(6)(A) The revenue domain for the funding formula model shall include only state appropriations and student tuition and fee income and does not include private contributions and other discretionary funds.~~

~~(B) The revenue domain shall exclude funding at the universities from all sources other than from state appropriations and student tuition, including, but not limited to, the federal government, private sources, and self-supporting activities.~~

~~(C) Because the general definition specifies operating funds, the funding formula model also does not consider the appropriation and allocation of capital funds.~~

~~(n)(1) The funding formula model shall be utilized only to allocate funds to the universities.~~

~~(2) This funding formula model shall not be used to prescribe the allocation of those funds within the universities.~~

~~(o)(1) By December 31, 2011, the Arkansas Higher Education Coordinating Board shall develop an outcome-centered funding formula model that implements the broad goals for the state in subsection (a) of this section and seeks to promote and increase the satisfactory progression, matriculation, and graduation of all students enrolled in state-supported institutions of higher education.~~

~~(2) The outcome-centered funding formula model shall take into consideration, at a minimum:~~

~~(A) Course completion;~~

~~(B) Degree completion;~~

~~(C) Critical needs shortage areas;~~

~~(D) Minority students;~~

~~(E) Economically disadvantaged students; and~~

~~(F) Nontraditional students.~~

~~(p)(1) Each university's total state funding received shall be calculated at:~~

~~(A) Ninety-five percent (95%) under the funding formula model under subsections (b)-(m) of this section and five percent (5%) on the outcome-centered funding formula model for the 2013-2014 school year;~~

~~(B) Ninety percent (90%) under the funding formula model under subsections (b)-(m) of this section and ten percent (10%) on the outcome-centered funding formula model for the 2014-2015 school year;~~

~~(C) Eighty-five percent (85%) under the funding formula model under subsections (b)-(m) of this section and fifteen percent (15%) on the outcome-centered funding formula model for the 2015-2016 school year; and~~

~~(D) Eighty percent (80%) under the funding formula model under subsections (b)-(m) of this section and twenty percent (20%) on the outcome-centered funding formula model for the 2016-2017 school year.~~

~~(2) Beginning in the 2017-2018 school year, university funding shall be based seventy-five percent (75%) under the funding formula model under subsections (b)-(m) of this section and twenty-five percent (25%) on the outcome-centered funding formula model.~~

SECTION 5. Arkansas Code § 6-61-229 is repealed.

~~6-61-229. Funding formula model for two-year colleges.~~

~~(a) The funding formula model for two-year colleges shall:~~

~~(1) Serve as a framework for implementing the broad goals of the State of Arkansas and the Arkansas Higher Education Coordinating Board;~~

~~(2) Be based on reliable and uniform data;~~

~~(3) Make provisions for special-purpose units;~~

~~(4) Hold two-year colleges accountable for increasing the educational attainment levels of Arkansas citizens by:~~

~~(A) Addressing the state's economic development and work-force needs;~~

~~(B) Promoting increased certificate and degree production while maintaining a high level of rigor; and~~

~~(C) Acknowledging the unique mission of each two-year college and allowing for collaboration and minimal redundancy in degree offerings and certificates;~~

~~(5) Promote a seamless and integrated system of postsecondary education designed to meet the needs of all students; and~~

~~(6) Address institutional accountability for the quality of instruction and student learning, including remedial instruction.~~

~~(b)(1) The model shall determine the funding needs of two-year colleges in four (4) student-semester-credit-hour or full-time-equivalent student-based expenditure functions, one (1) square-footage-based expenditure function, and one (1) contact-hour expenditure function.~~

~~(2)(A) The student semester credit hour or full-time equivalent-based expenditure functions shall include:~~

~~(i) Teaching salaries;~~

~~(ii) Academic support;~~

~~(iii) Student services; and~~

~~(iv) Institutional support.~~

~~(B) The square footage-based expenditure function shall be designated for facilities maintenance and operations.~~

~~(C) Funding for workforce education programs shall be determined from student contact hours.~~

~~(c) In order to determine the teaching salaries needs of the two-year colleges, the student semester credit hour shall be summarized into four (4) academic discipline categories based upon the relative costs of academic programs as determined by historical expenditure patterns.~~

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

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

~~(1) General education shall include the following academic disciplines:~~

~~(A) Agriculture business;~~

~~(B) Natural resources;~~

~~(C) Archeology;~~

~~(D) Communications;~~

~~(E) Education;~~

~~(F) Engineering;~~

~~(G) Foreign languages;~~

~~(H) Home economics;~~

~~(I) Law;~~

~~(J) Letters;~~

~~(K) Liberal studies;~~

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

~~(M) Mathematics;~~

~~(N) Interdisciplinary;~~

~~(O) Health;~~

~~(P) Recreation;~~

~~(Q) Philosophy;~~

~~(R) Physical sciences;~~

~~(S) Psychology;~~

~~(T) Public administration;~~

~~(U) Social sciences;~~

~~(V) Transportation;~~

~~(W) Visual arts; and~~

~~(X) Performing arts;~~

~~(2) Technical education shall include the following academic disciplines:~~

~~(A) Agriculture;~~

~~(B) Marketing;~~

~~(C) Communications technology;~~

~~(D) Engineering technology;~~

~~(E) Technical education;~~

~~(F) Science technology;~~

~~(G) Protective services;~~

~~(H) Construction trades;~~

~~(I) Mechanics;~~

~~(J) Precision production; and~~

~~(K) Business management;~~

~~(3) Basic skills shall include remedial or developmental, or both, student semester credit hours; and~~

~~(4) Allied health shall include health professions.~~

~~(e)(1) The number of full-time-equivalent faculty needed by a college shall be determined using the established workload standards required to produce a need for one (1) full-time-equivalent faculty member.~~

~~(2) The workload standards to produce a full-time-equivalent faculty member shall be:~~

~~(A) Six hundred sixty (660) student semester credit hours for general education;~~

~~(B) Four hundred eighty (480) student semester credit hours for technical education and basic skills; and~~

~~(C) Three hundred sixty (360) student semester credit hours for allied health.~~

~~(f)(1) The full-time-equivalent faculty needs of each college shall be determined by dividing the workload standards into the college's student semester credit hours in that cost category.~~

~~(2) Funding for teaching salaries for each college shall be determined by multiplying the total or full-time-equivalent faculty needs of each college by the predicted Board of Control for Southern Regional Education average salary for two-year colleges with no academic rank.~~

~~(3) The teaching salary funding shall be adjusted for the use of part-time faculty or full-time-equivalent faculty needs generated by student semester credit hours taught by part-time faculty and shall be funded at one-half (1/2) of the rate of those student semester credit hours taught by full-time faculty members.~~

~~(4) The part-time faculty adjustment for each college will be determined each biennium by the Department of Higher Education staff.~~

~~(5) The fringe benefits for teaching salaries shall be determined by multiplying the teaching salaries funding by the current average fringe benefit rate, which shall be determined for the biennium by the department staff.~~

~~(6) The total teaching salaries needs of a college shall include the fringe benefits and teaching salary needs.~~

~~(g)(1) Funding needs for the academic support functions shall be equal to sixty percent (60%) of adjusted teaching salaries plus thirty-five thousand dollars ($35,000) for a staff salary in public service.~~

~~(2) Fringe benefits for academic support shall be determined by multiplying the fringe benefit rate determined for the biennium by sixty percent (60%) of the academic support funding described in subdivision (g)(1) of this section.~~

~~(h)(1) The funding needs for student services shall be calculated based on a variable rate per student using the mean of full-time-equivalent enrollment and headcount enrollment.~~

~~(2) Student services funding shall include an economy-of-scale component that will provide progressively less funding per student over established enrollment levels.~~

~~(3) For the 2005-2007 biennium, student services funding for the first seven hundred fifty (750) students shall be funded at a higher rate to be determined each biennium; the next two thousand two hundred fifty (2,250) students shall be funded at a lesser rate; and all students in excess of a three thousand (3,000) full-time-equivalent enrollment level shall be funded at a lower rate.~~

~~(4) The funding rates for each level shall have a full-time-equivalent enrollment level that shall be adjusted biennially for inflation.~~

~~(5) Full-time-equivalent enrollment levels shall be reviewed annually to determine whether they require adjustment.~~

~~(6) Fringe benefits for student services shall be calculated as an amount equal to the biennial fringe benefit rate multiplied by sixty percent (60%) of the calculated student services funding needs under subdivision (h)(3) of this section.~~

~~(i) Institutional support funding shall be as follows based on the college's full-time-equivalent student enrollment:~~

~~(1) For one thousand (1,000) or fewer students enrolled, an amount equal to twenty-one percent (21%) of the total teaching salaries, academic support, student services, and facilities maintenance and operations;~~

~~(2) For one thousand one (1,001) to three thousand (3,000)~~

~~students enrolled, an amount equal to eighteen percent (18%) of the total of the teaching salaries, academic support, student services, and facilities maintenance and operations; and~~

~~(3) For more than three thousand (3,000) students enrolled, an amount equal to fifteen percent (15%) of the total teaching salaries, academic support, student services, and facilities maintenance and operations.~~

~~(j)(1) Facilities maintenance and operations funding shall be based upon each college's square footage needs as determined by the "space needs model" that determines need based on the college's full-time equivalent enrollment and the mix of academic programs that the college offers.~~

~~(2)(A) For each year of the biennium, the Arkansas Higher Education Coordinating Board shall determine a funding rate per square foot based on the most recent cost experiences of the college.~~

~~(B) That rate shall be multiplied by the college's actual square footage that does not exceed one hundred fifty percent (150%) of the space need model's determined need of the college.~~

~~(C) Square footage in excess of one hundred fifty percent (150%) of the space need model's determined need of the college shall be funded at a lower rate.~~

~~(D) Colleges with a deficit in square footage as defined by the space need model will have the square footage shortfall partially funded to compensate for the intensity of the use of the facilities.~~

~~(k) Funding for workforce education shall be based on contact hours and shall be calculated by using an established rate for the first ten thousand (10,000) contact hours, a lesser rate for the next ten thousand (10,000), and a lesser rate for all noncredit contact hours in excess of twenty thousand (20,000).~~

~~(l) The total expenditure needs of each college shall be equal to the sum of teaching salaries, academic support, student services, institutional support, facilities maintenance and operations, and workforce education.~~

~~(m)(1) The appropriation needs of each college shall be the total expenditure needs of the college less the calculated tuition and fee income.~~

~~(2) The Arkansas Higher Education Coordinating Board shall establish biennially a tuition rate per credit hour for two-year colleges with revenue derived from a local tax, including, but not limited to, a sales~~

~~tax or an ad valorem tax, and a higher per credit hour tuition rate for those colleges without revenue derived from a local tax.~~

~~(n)(1) The formula does not provide funds for institutional scholarships, debt service, or fund transfers.~~

~~(2) The revenue domain for the funding model shall include only state appropriations and student tuition and fee income and shall not include private contributions and other discretionary funds.~~

~~(3) The revenue domain shall exclude funding at the colleges from all sources other than from student tuition and state appropriations, including, but not limited to, local tax levies, the federal government, private sources, and self-supporting activities.~~

~~(4) Because the general definition specifies operating funds, the funding model also does not consider the appropriation and allocation of capital funds.~~

~~(o)(1) The funding formula model shall be utilized only to allocate funds to the two-year colleges.~~

~~(2) It shall not be used to prescribe the allocation of those funds within the colleges.~~

~~(p)(1) By December 31, 2011, the Arkansas Higher Education Coordinating Board shall develop an outcome-centered funding formula model that implements the broad goals for the state in subsection (a) of this section and seeks to promote and increase the satisfactory progression, matriculation, and graduation of all students enrolled in state-supported institutions of higher education.~~

~~(2) The outcome-centered funding formula model shall take into consideration at a minimum:~~

~~(A) Course completion;~~

~~(B) Certificate and degree completion;~~

~~(C) Critical needs shortage areas;~~

~~(D) Minority students;~~

~~(E) Economically disadvantaged students; and~~

~~(F) Nontraditional students.~~

~~(q)(1) Each two-year college's total state funding received shall be calculated at:~~

~~(A) Ninety-five percent (95%) under the funding formula model under subsections (b)-(m) of this section and five percent (5%) on the~~

~~outcome-centered funding formula model for the 2013-2014 school year;~~

~~(B) Ninety percent (90%) under the funding formula model under subsections (b)-(m) of this section and ten percent (10%) on the outcome-centered funding formula model for the 2014-2015 school year;~~

~~(C) Eighty-five percent (85%) under the funding formula model under subsections (b)-(m) of this section and fifteen percent (15%) on the outcome-centered funding formula model for the 2015-2016 school year; and~~

~~(D) Eighty percent (80%) under the funding formula model under subsections (b)-(m) of this section and twenty percent (20%) on the outcome-centered funding formula model for the 2016-2017 school year.~~

~~(2) Beginning in the 2017-2018 school year, two-year college funding shall be based seventy-five percent (75%) under the funding formula model under subsections (b)-(m) of this section and twenty-five percent (25%) on the outcome-centered funding formula model.~~

SECTION 6. Arkansas Code § 6-61-230 is repealed.

~~6-61-230. Review of funding formulas.~~

~~The Arkansas Higher Education Coordinating Board shall review the funding formulas set forth in this subchapter biennially and make written recommendations for appropriate modifications or changes to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Governor by October 15 of the year prior to each regular session of the General Assembly.~~

SECTION 7. Arkansas Code § 6-61-233 is repealed.

~~6-61-233. Funding formula implementation — Department of Higher Education.~~

~~The implementation of the funding component of the outcome-centered formula defined in §§ 6-61-224, 6-61-228, and 6-61-229 shall not progress beyond the 2014-2015 school year until such time as the Department of Higher Education determines that all institutions are funded at the minimum standard of equity defined as seventy-five percent (75%) of needed state funding, as determined by the needs-based component of the funding formula models. In any fiscal year that the aggregate general revenue funding forecast to be available for higher education institutions is less than the amount in the 2012-2013 fiscal year, the department will not further implement the funding~~

~~component until such time as the aggregate general revenue for higher institutions is restored to the 2012-2013 fiscal year level. The department shall continue to execute and publish the results of the outcome-centered component to measure the progress of institutions in reaching the broad goals of satisfactory progression and graduation of all students enrolled in state-supported institutions of higher education.~~