

# Louisiana's Outcomes-Based Funding Formula Summary

## Outcomes-Based Funding Formula Model Overview

In response to Act 462 of the 2014 Regular Legislative Session, the Board of Regents (BOR) and each public postsecondary education system met and worked collaboratively to develop a comprehensive outcomes-based funding formula model. The model includes a base portion, a cost portion, and an outcomes portion, aligned with the requirements of the Act. The formula is aligned to support the stated goals of the Board of Regents Master Plan. For each year of continued formula implementation, the goal has been to increase the proportion of total funding allocated to institutions utilizing the cost and outcomes metrics for each institution type. As the model has been utilized, additional refinements have been made by the Board based on staff and system analyses and discussions with stakeholders. Overall funding is split between institution types, i.e., two-year and four-year, as these institutions have differing roles, scopes, and missions.

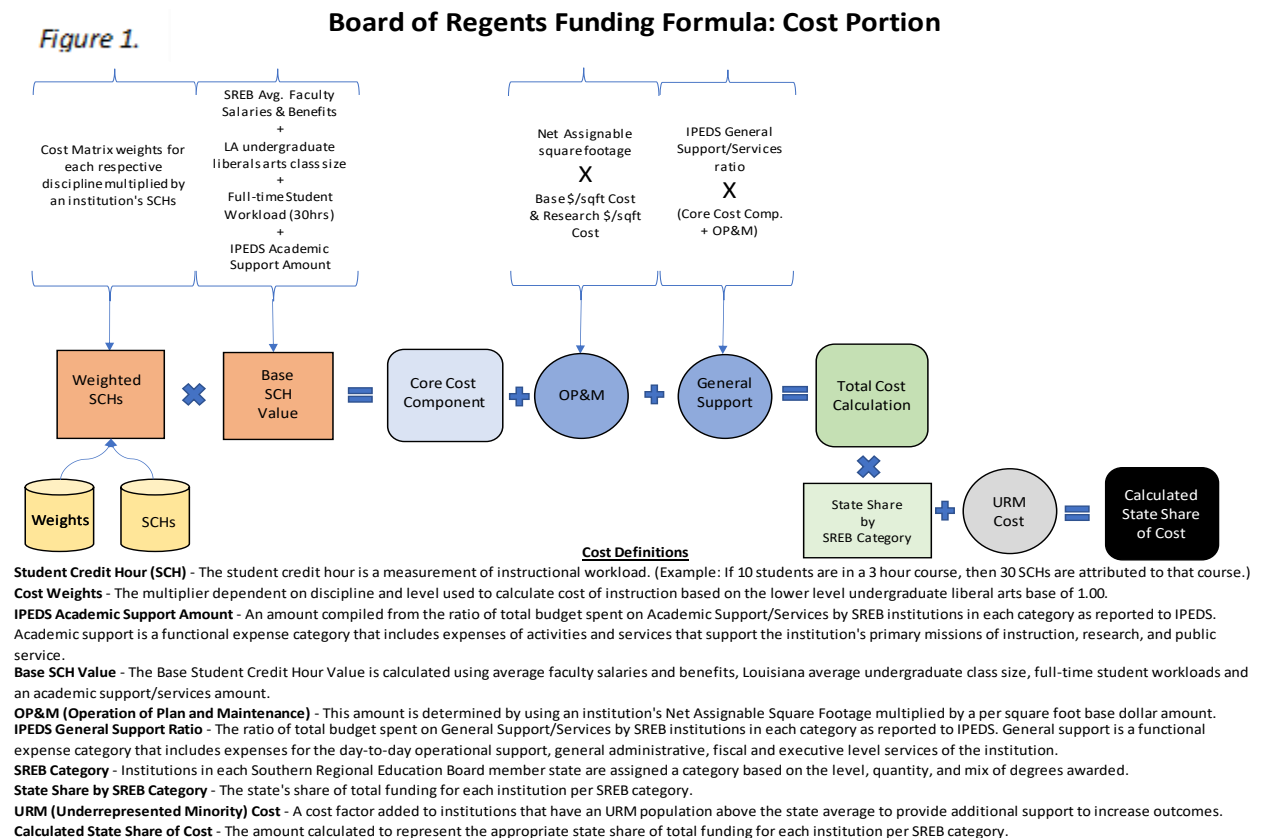
The funding split is calculated by aggregating the costs associated with each institution by type (two-year or four-year) and dividing that amount by the total. These two separate amounts are then allocated, by institution, based on the respective calculated funding model.

## Base Funding

In order to address the need for stability, the base component of the funding formula is the institution's prior-year allocation.

## Cost Model

The cost model (Figure 1) is used to determine both the cost associated with programs taught at an institution and the cost of general operations. The cost model, utilized by BOR since FY11, is designed to



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accurately measure costs. The model consists of student credit hours (SCH), a program cost matrix, facilities costs, and support services. SCHs are multiplied by the program weight as determined by the matrix to produce a weighted credit hour. This is the main cost driver of the formula, once applied to the base student credit hour value. The base SCH value is derived from Southern Regional Educational Board (SREB) peer-group salary data, course offerings, degree level of students, class size, and support services.

## Outcomes Model

The outcomes portion (Figure 2) comprises metrics incorporated to incentivize institutions to achieve the desired outcomes of Act 462. The formula measures incorporate consideration of:

- The role, scope, and mission of each institution;
- The significant emphasis on student success factors and institutional outcomes in the formula;
- The incentives necessary to achieve desired outcomes of Act 462; and
- The alignment of postsecondary degree production with economic development and workforce needs.

<i>Figure 2.</i> <b>Outcomes-Based Funding Formula Metrics by Category</b>	
<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's 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>	Completion by Underrepresented Minorities Completion of Students on Pell Undergraduate Adult (Age 25 and Older) Completers

The outcomes metrics include student retention and progression, cross-enrollment of students, research, completions – which are determined using time-to-degree (baccalaureate and associate’s degrees), graduate-level degree (four-year) or certificate/diploma (two-year) completion – transfers from two-year to four-year, Pell Grants awarded, underrepresented minority status, adult completers, and workforce alignment. These metrics have weights that are used to calculate the total outcomes points for each institution. For example, time-to-degree weights are applied to the amount of time a student takes to earn a degree, with higher weights applied to students who earn a degree in a shorter time. For equity completers, a weight is applied to each equity component that is associated with the student and additional weights are earned for underrepresented and Pell completers from institutions with larger equity student populations. Each institution receives a pro-rata share of its production of the outcomes factors.

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An example of points earned for a completing student is as follows:

- Enrolled senior (1.1);
- Completes a degree in four years (1.8);
- Completes in Health (2.5);
- Is a Pell recipient completer (2.25); and
- Is an equity population completer (2.25).

This results in a total of 9.9 points earned for this single student.

## Funding Distribution Methodology

Each formula component is represented within the 100% of the available formula funds appropriated by the Legislature. The Board of Regents determines the methodology for allocation to each component. For FY23, the formula methodology is 55% base, 17% cost formula, and 28% outcomes formula to distribute \$537.5M. The chart below illustrates the prior-year and current-year allocations of the three formula components and the total amount of funds that the formula allocated in each year. Note: The formula was not used in FY21 due to funding reductions as a result of the pandemic.

