

# Formula Funding Revision Update

Board of Regents  
Finance Committee

August, 2008

# Formula Funding Revision

- Formula Funding Workgroup
  - Brenda Albright, National Panel Member and Chair
  - Representatives from:
    - » Management Boards
    - » System Offices
    - » Campuses
    - » Faculty
    - » PAR
    - » LABI
- Technical Sub-Group
- Series of Working Meetings
- Meetings with System Presidents and Senior Staff

# Formula Funding Revision

- Basic Objectives
  - Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue determined on “policy” basis

# Formula Funding Revision

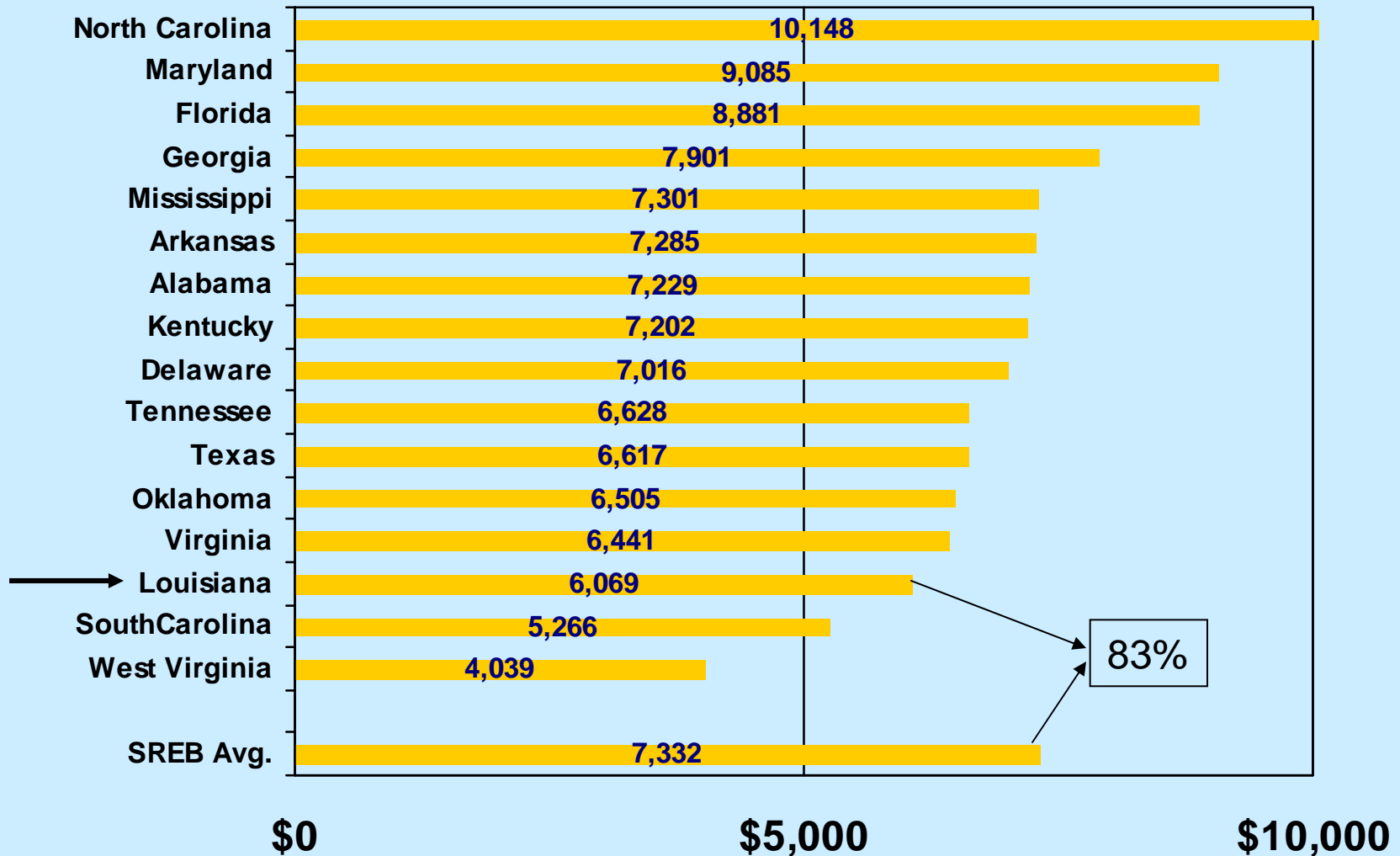
- Basic Objectives

- Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue determined on basis of “policy”

- Significant Policy Issues Emerge

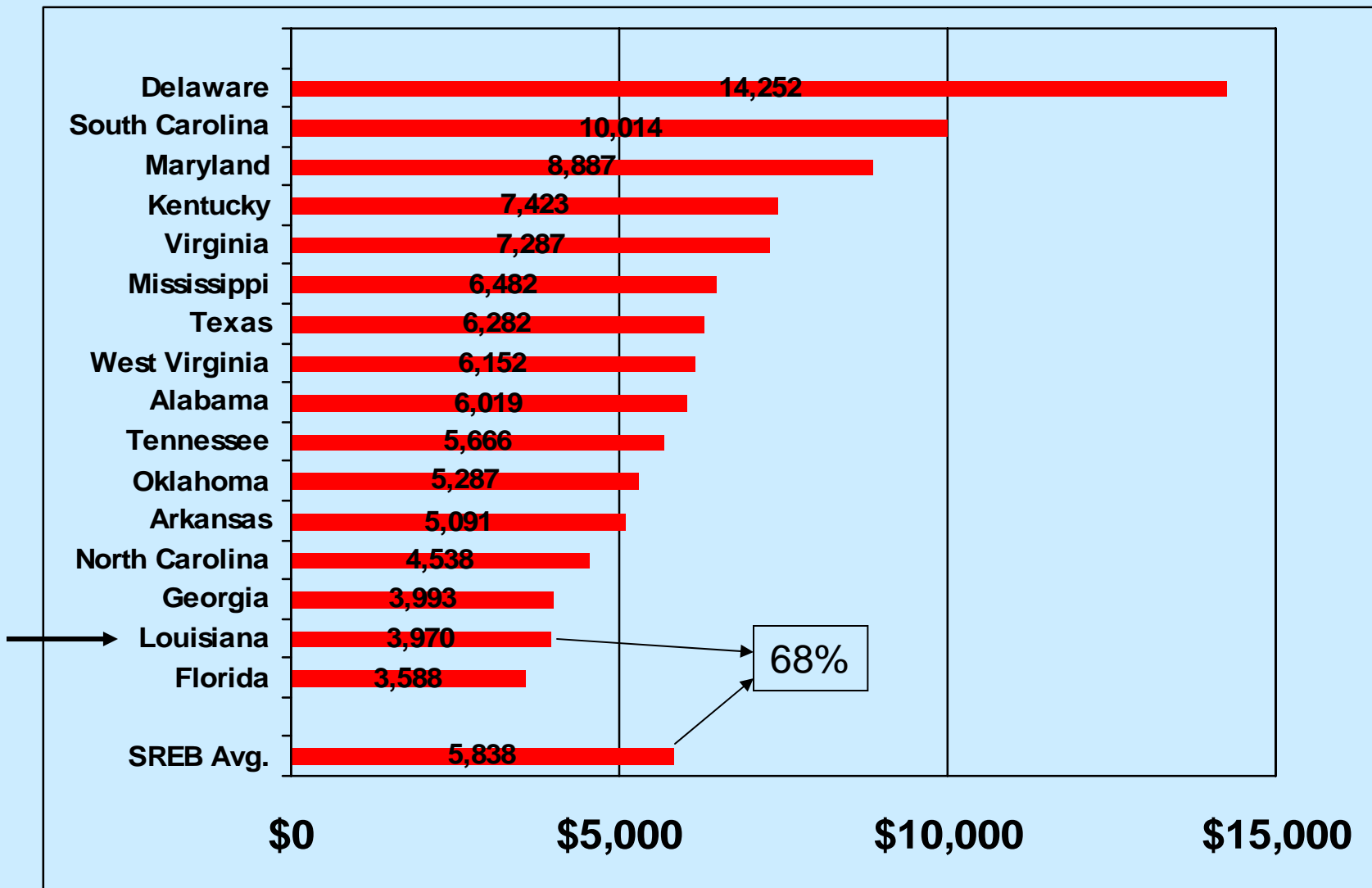
- » How should Louisiana’s relatively low tuition & fees rates be treated? Should tuition & fees be maintained at relatively low rates?
    - » Should a more strategic approach based upon ATFA considerations (i.e. Appropriations, Tuition and Financial Aid coordination) be pursued?

# State Funding per FTE Student, SREB Four-Year Institutions – 2006-07



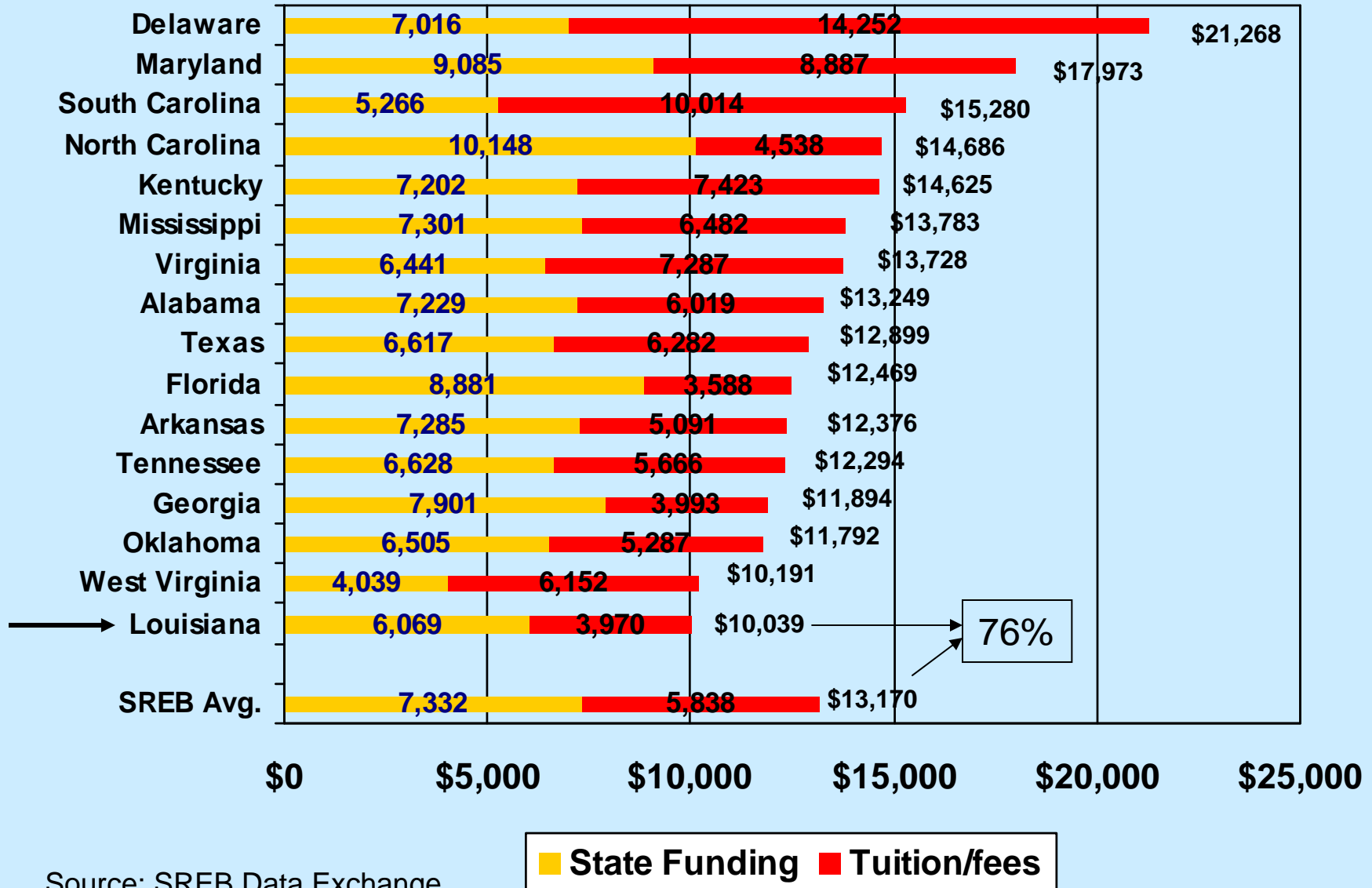
Source: SREB Data Exchange

# Tuition/Fees Revenue per FTE Student, SREB Four-Year Institutions – 2006-07



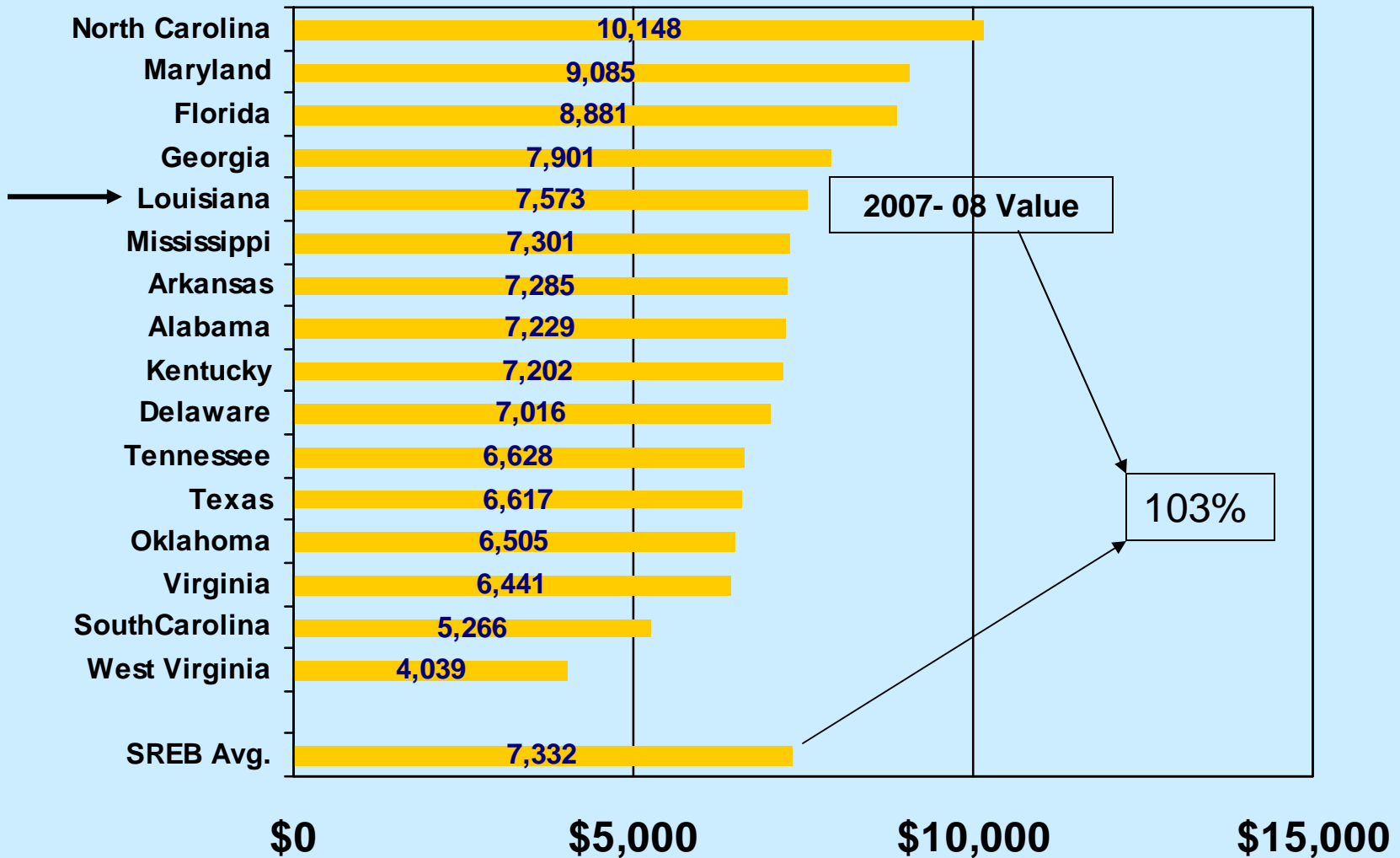
Source: SREB Data Exchange

# Total Public Funding per FTE Student, SREB Four-Year Institutions – 2006-07



Source: SREB Data Exchange

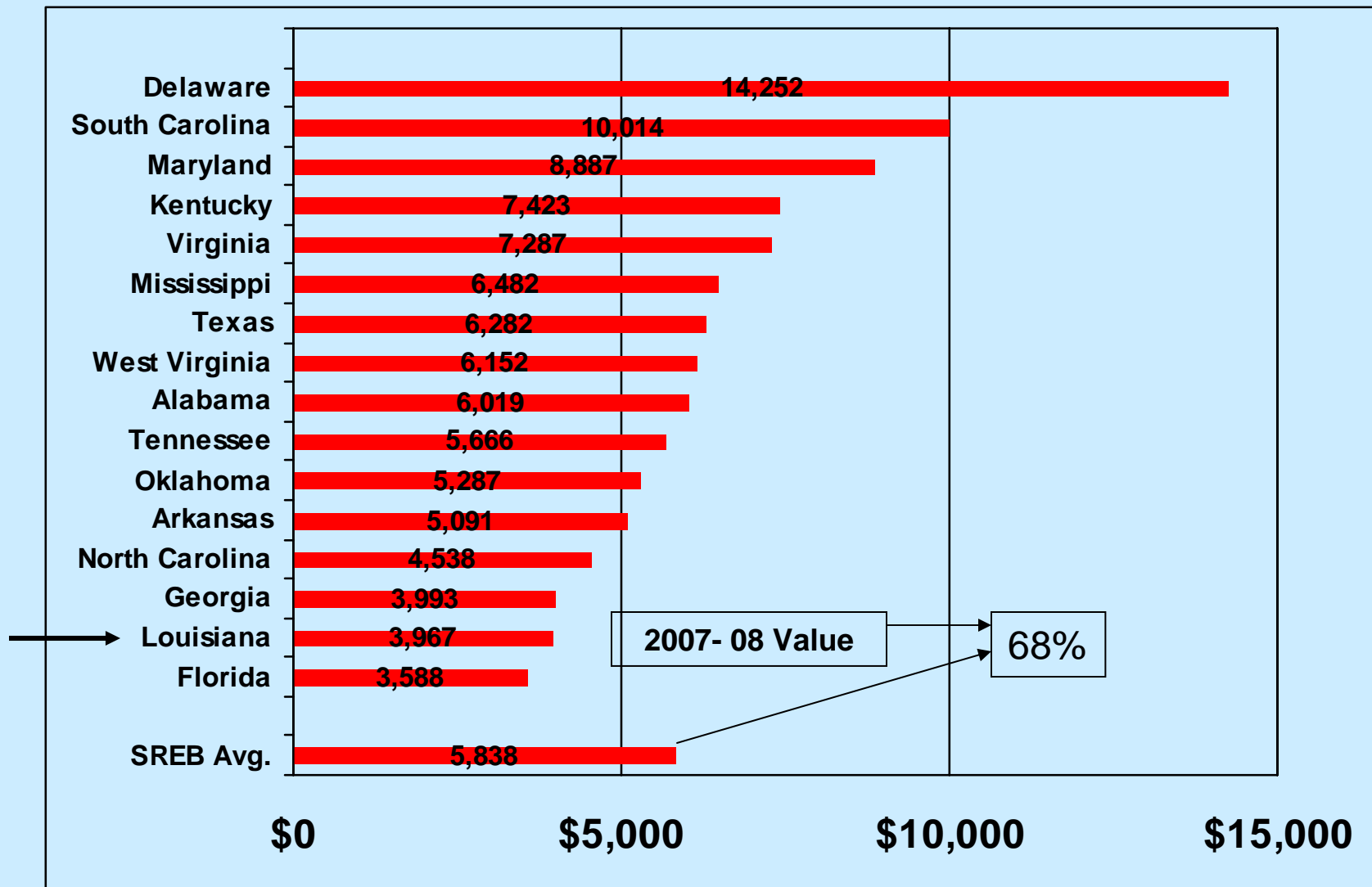
# State Funding per FTE Student, SREB Four-Year Institutions – 2006-07



Source: SREB Data Exchange

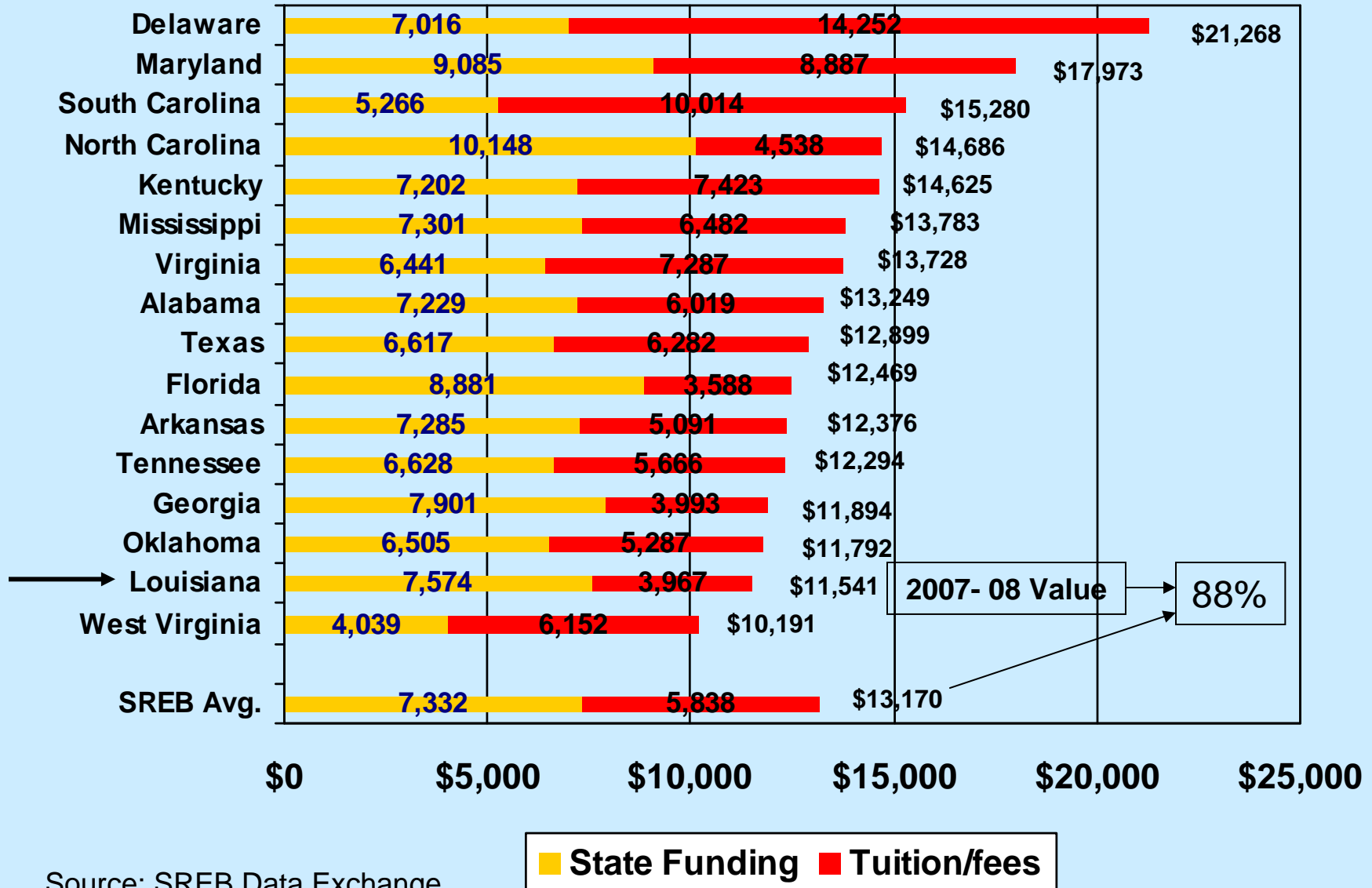


# Tuition/Fees Revenue per FTE Student, SREB Four-Year Institutions – 2006-07



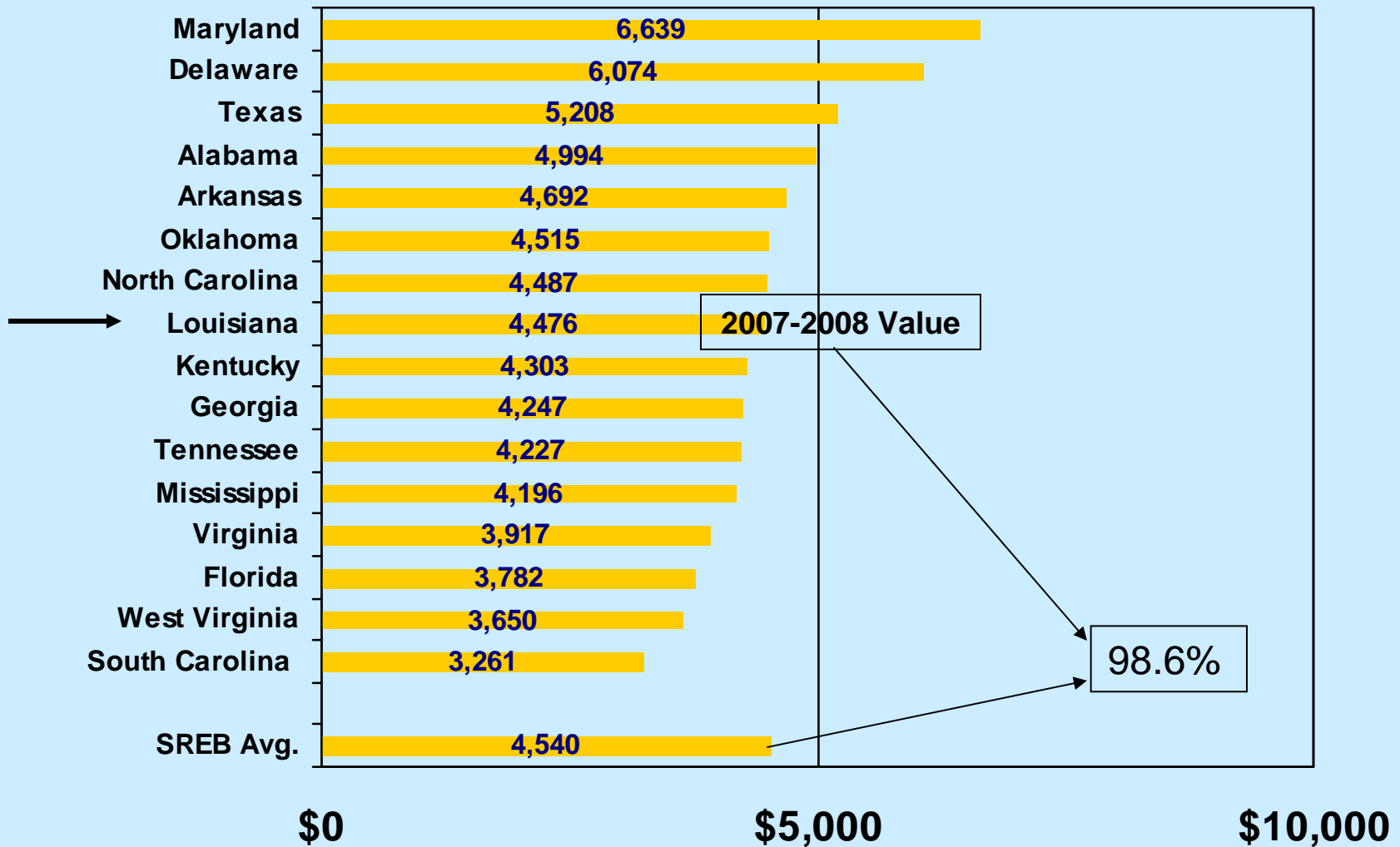
Source: SREB Data Exchange

# Total Public Funding per FTE Student, SREB Four-Year Institutions – 2006-07



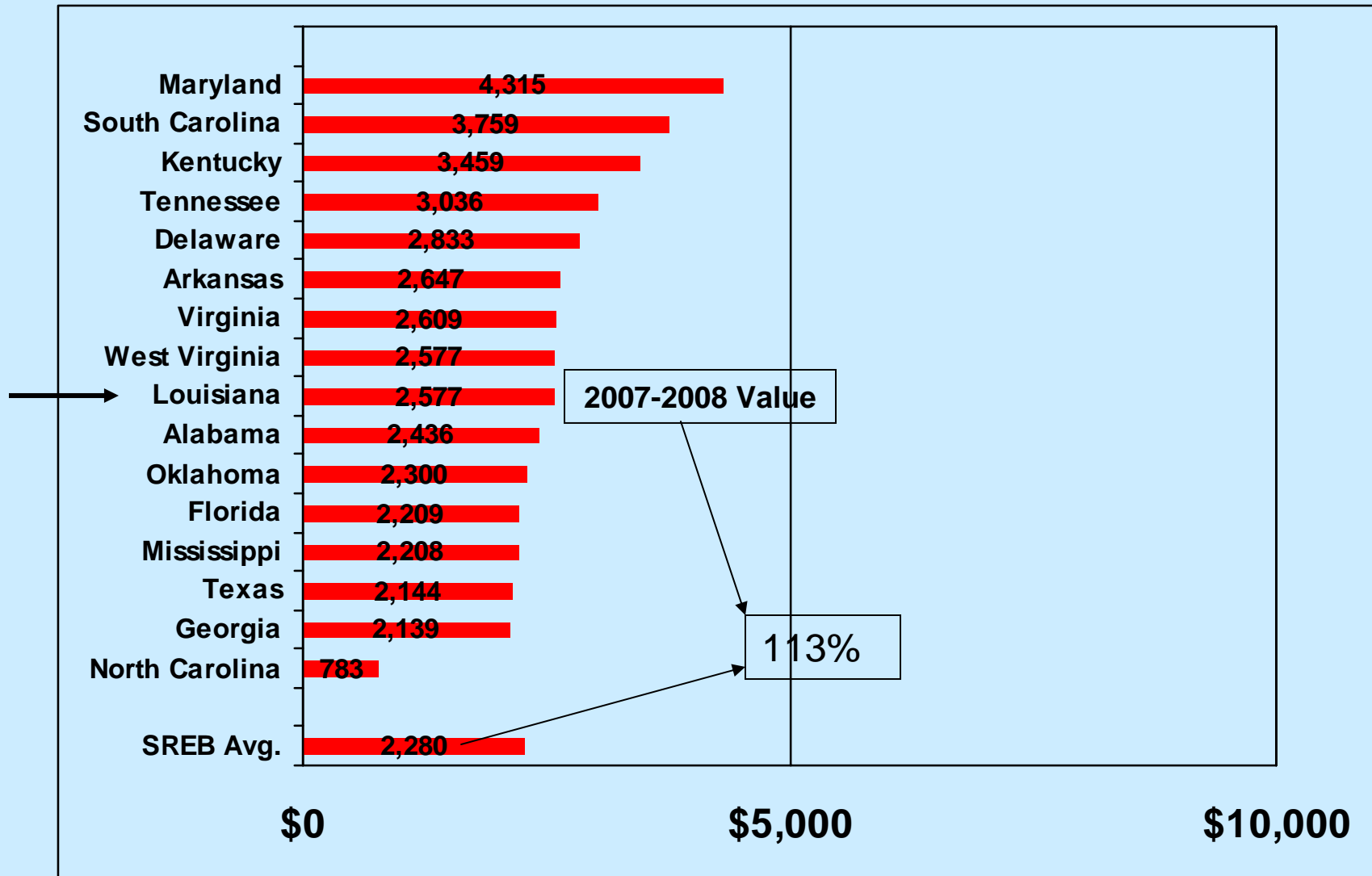
Source: SREB Data Exchange

# State Funding per FTE Student, SREB Two-Year Institutions – 2006-07



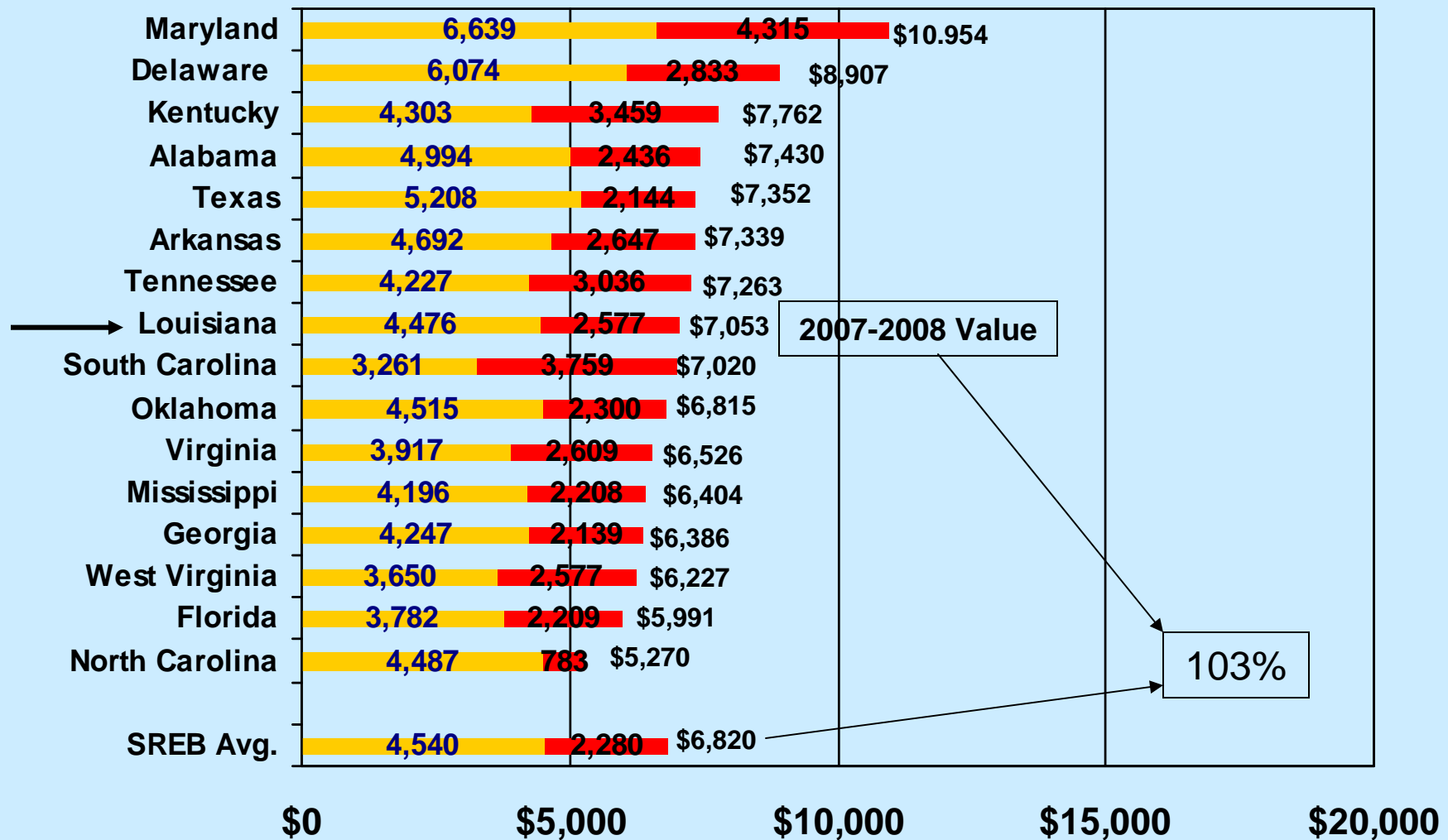
Source: SREB Data Exchange

# Tuition/Fees Revenue per FTE Student, SREB Two-Year Institutions – 2006-07



Source: SREB Data Exchange

# Total Public Funding per FTE Student, SREB Two-Year Institutions – 2006-07



■ State Funding 
 ■ Tuition/fees 
 ■ Bar 3 
 ■ Bar 4 
 ■ Bar 5

Source: SREB Data Exchange

# Formula Funding Review

- **Basic Objectives**
  - Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”
  - **Greater Sensitivity of Funding Values to Role, Scope and Mission**

# Formula Funding Review

- Basic Objectives
  - Greater Sensitivity of Funding Values to Role, Scope and Mission
    - Need for Program Specific Values
      - Past approach has been to determine what is “appropriate” financial support of an institution overall as reflected from broad SREB “peer” data on State Appropriations
      - Proposed approach is to use programmatic “cost-based” analysis, based on total costs, to assess costs of each institution’s mix of programs and distribution of actual enrollment. National data for determination of other functional areas

# Formula Funding Review

- Basic Objectives
  - Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”
  - Greater Sensitivity of Funding Values to Role, Scope and Mission
  - More Current Formula Values



# Formula Funding Review

- Basic Objectives
  - More Current Formula Values
    - Incorporate method of projecting the cost base out to the relevant time period:
      - Faculty salaries, derived from SREB averages, and other cost factors can be projected out into new budget year based on inflationary assumptions

# Formula Funding Review

- Basic Objectives
  - Use “Total Fund” approach with State Appropriation and Tuition/Fee Revenue allocated on basis of “policy”
  - Greater Sensitivity of Funding Values to Role, Scope and Mission
  - More Current Formula Values
  - Performance Funding Strategies Connected to Master Plan

# Formula Funding Review

- Basic Objectives
  - Performance Funding Strategies Connected to Master Plan
    - How to Structure the “Performance” Components?
      - Performance Incentives – “embedded”
      - Performance Awards – “awards earned through demonstrated performance”

# Formula Funding Review

- Basic Objectives
  - Performance Funding Strategies Connected to Master Plan
    - How much of the Formula Funding Mechanism should be based on “Costs” vs. “Performance”?
      - How do “Performance” factors/strategies fit into the overall funding picture? How much “base” operational costs are put at risk if new funding is not made available?

# Formula Funding Review

## – Overall Structure of the Formula

- “Core” Component
- “Embedded Performance Incentives”
- “Performance Awards”

# Formula Funding Review

## – Overall Structure of the Formula

- “Core” Component
- “Embedded Performance Incentives”
- “Performance Awards”

**These together  
count toward the  
“Performance  
Funding” Goal**

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**These will total  
15% - 25% of  
Formula Funding**

# Formula Funding Review

- Structure and Components of “Core”
  - “Base” Instructional SCH Values
    - Standard Calculation:
      - » Faculty Salaries
      - » Student/Faculty Workload
      - » Full-time Student Course Load
    - Derived “Base” \$’s/SCH
    - Unique to Category of Institution
  - Relative Cost Matrix
    - Discipline Groups
    - Unique Considerations for “Vocational Training”

# Formula Funding Review

## – Additional Cost Factors

- Academic Services Factor Added for:
  - Academic Support
  - Libraries
  - Scholarships and Fellowships
  
- General Administrative Services
  - Institutional Support
  - Student Services
  
- OP&M



# Formula Funding Review

## – Performance Funding Strategies

- Performance Incentives

- Research
- Workforce Development
- Progression
- Targeted Enrollment
- Completers

- Performance Awards

- Measured Performance against Benchmarks and Targets
- System Plans
- Regents Plan

# Formula Funding Review

## – Performance Funding Strategies

- Performance Incentives

- Research
  - Workforce Development
  - Progression
  - Targeted Enrollment
  - Completions
- Currently in  
Formula  
Simulations**
- Under  
Consideration**

- Performance Awards

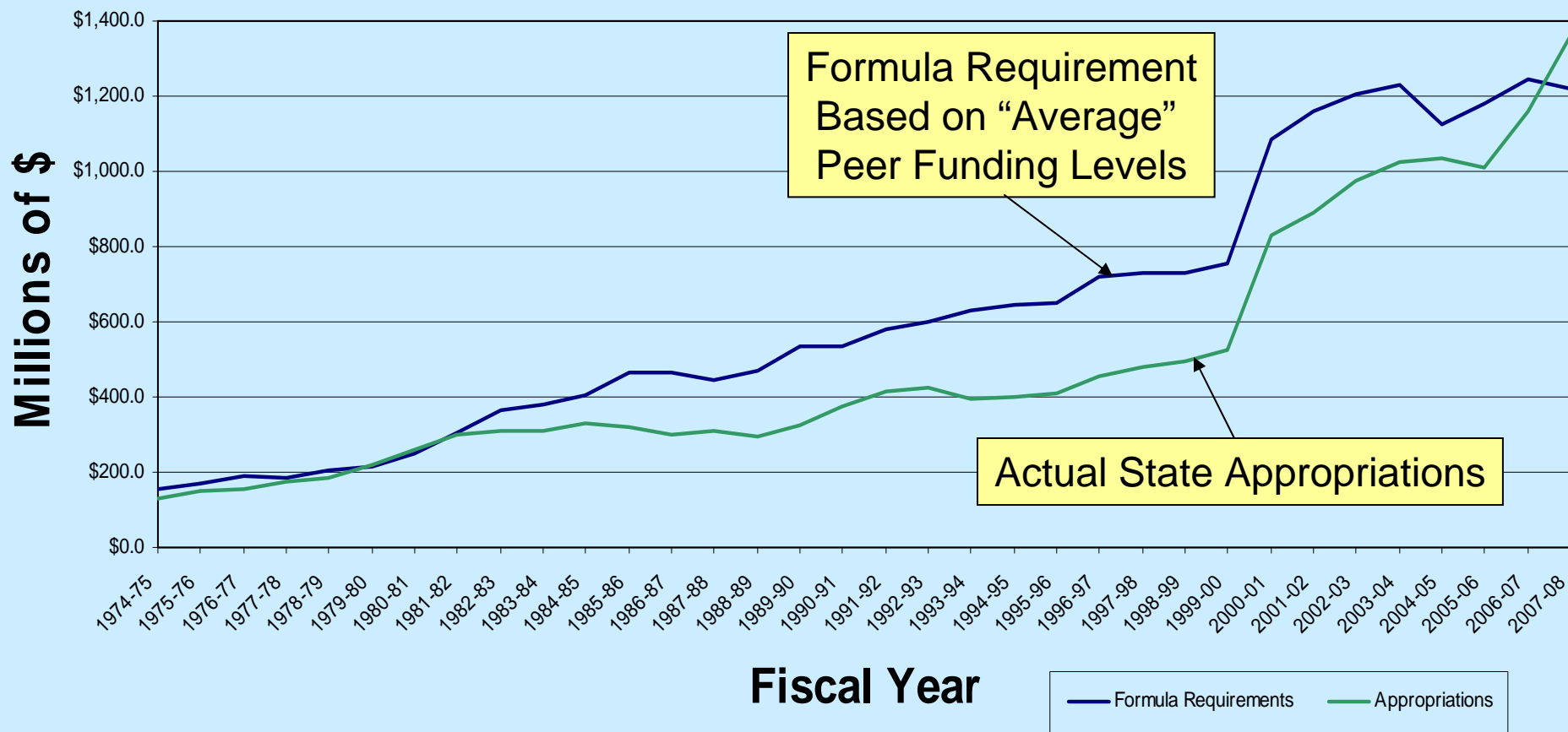
- Measured Performance against Benchmarks and Targets
- System Plans
- Regents Plan

# Historical Context

# Appendix B

## Formula Requirements and Appropriations

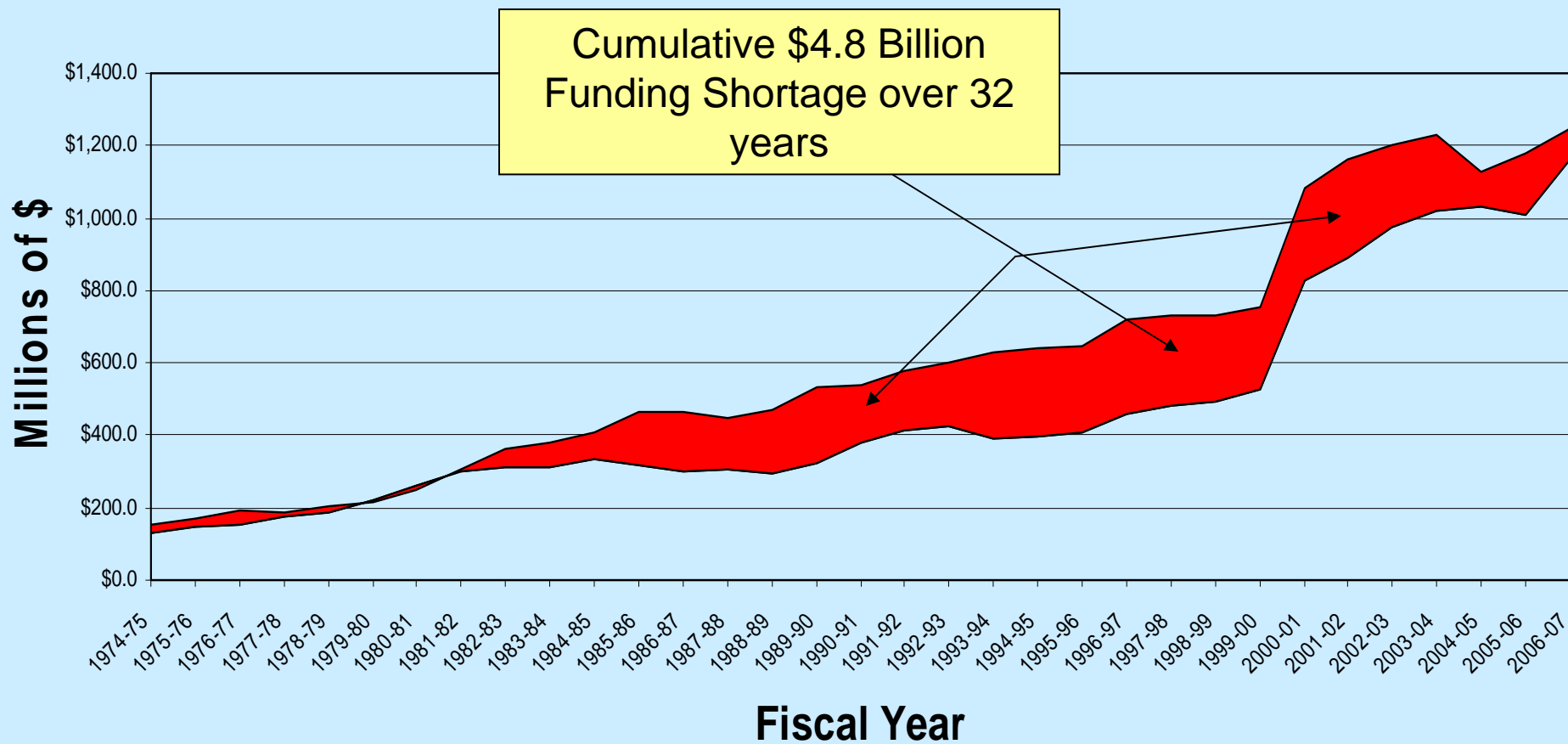
FY1974-75 to 2007-08



# Appendix B

## Formula Requirements and Appropriations

FY1974-75 to 2007-08



# Formula Funding Review

- Next Steps
  - Continue to review and resolve remaining technical issues (i.e. specific values, etc.)
  - Complete the Workforce Development component
  - Finalize Performance elements
  - Develop implementation strategy
  - Formulate Policy framework for determination of State and Student Support

## Appendix B

