# Louisiana Board of Regents Funding Model Review

## Introduction

In early 2024, the Louisiana Board of Regents (BOR) initiated an agreed-upon five-year review of the state's higher education funding formula. The review aims to ensure the funding model aligns with the Higher Education Master Plan and supports the goal of 60% of all working-age adults in Louisiana holding a degree or high-value credential by 2030. The BOR may also use the review process to make necessary technical changes and adjustments to the formula. This review of the model represents the third time the BOR has conducted a review of the funding formula since the legislature enacted outcomes-based funding in 2014 and implemented it in the fiscal year 2016-2017.

This review document supports the work of the BOR and the convened advisory committee by documenting the 2024 review process, providing national context, and detailing proposed formula updates. In summary, the new proposed funding formula simplifies the structure while providing meaningful student success incentives. Key proposed changes include eliminating the cost component, improving existing outcome metrics, and adding new outcome metrics supporting the BOR's Meauxmentum initiative. The new proposed funding formula has the potential to be an innovative model that balances simplicity with effective incentives.

## Guiding Principles

The advisory committee was given a set of guiding principles from BOR staff to ensure that any changes to the funding model reflect the goal of the Louisiana Higher Education Master Plan. The principles included:

- Focus on student access and success with an emphasis on underrepresented populations.
- Encourage education attainment in high-demand and high-reward disciplines as aligned to workforce needs.
- Recognize and reward distinctions in institutional missions and scopes.
- Use clearly defined, currently available data.

## Process

The BOR assembled an advisory committee to complete a review of the funding model and recommend changes, if necessary. The committee included system Chief Financial Officers, Academic Officers, system-appointed institutional representatives, and Board of Regents staff. The Board of Regents office contracted the National Center for Higher Education Management Systems (NCHEMS) to provide national context, expert advice, and a summary report of the committee's proposed changes.

The advisory committee held regular meetings from March to October 2024. The committee members reviewed Louisiana's current funding formula and national trends in the first few meetings. The group then discussed current challenges and options for modifications of the funding formula. The meetings covered the following topics:

- Meeting #1 - Review of the Louisiana funding formula.
- Meeting #2 - National perspective of funding formulas.
- Meeting #3 - Review of base funding models.
- Meeting #4 - National funding model trends.
- Meeting #5 - Review of Louisiana's outcome metrics.

During the next three meetings, the advisory committee members contributed ideas on funding model revisions, additions, and alternative model proposals. These meetings covered the following topics:

- Meeting #6 - Discussion on research, institutional local and non-credit instruction.
- Meeting #7 - Discussion on dual enrollment, reverse transfers, workforce development and institutional tiers based on mission.
- Meeting #8 - Follow up on rewarding transfers, revising the cost component of the funding formula, and improving adult education outcomes.

After the initial eight meetings, group members collected feedback from their respective institutions on the changes discussed. Each system then communicated its official recommendations and formula comments to the BOR staff. Common themes from the official system communications focused on retaining most of the existing formula components. However, the feedback also included suggestions to add new metrics that acknowledge completions, transfer activity, workforce development, and regional advancement. Other recommendations focused on changes to the weighing of research and a request to consider institutional mission in the new funding formula. Systems also suggested more transparency with the process and recommended the development of a dashboard per system or institution.

From this point, the advisory committee began to engage in more specific plans to operationalize the alternative model proposals within a formula approach. Business for these meetings was conducted online or via email. The committee covered the following topics:

- Discussion on the system funding formula recommendations.
- Discussion and prioritization of funding formula recommendations.
- Review of priority recommendations.
- Presentation of proposed funding formula.
- Review of final model.
- Review of revisions to final model.
- Review of final model with dollar allocations.

At the end of the process, the BOR staff and committee decided to recommend the removal of the cost portion and to use a 65/35 split in funding between the base and outcomes portions of the model. The new allocation split increases the percentage for both the base and the outcomes components. The committee also decided to modify several existing metrics and add new ones. The committee added a research component for four-year institutions so that only research institutions would compete against each other on research expenditure and graduate award completions. Additionally, the committee revised the formula for two-year institutions to include changes to student progression calculation, adding Nexus degrees and workforce degree weight changes. Furthermore, they introduced new Meauxmentum metrics for all two-year and four-year institutions, focusing on dual enrollment and passing rates for entry-level math and English courses. This report provides further context on the motivations for these changes, as well as further details on the changes themselves in the sections that follow.

## Overview of the Current Formula Challenges

The formula review process involved several productive discussions about the existing funding formula and the challenges institutions faced over the past five years. NCHEMS aided the process throughout by offering national context and advice when requested.

The committee's work began with a review of the formula's three components: the base, cost, and outcomes portions. Throughout the meetings, the advisory committee and BOR staff focused on specific challenges within the cost model and the outcomes metrics.

## Cost Component Challenges

The BOR uses a cost component to determine each institution's academic programs and general operations expenses. The latest version incorporates data on student credit hours, program costs, facilities costs, and support service costs. Weighted student credit hours are the primary cost driver in the current cost portion.

The advisory committee identified two significant challenges with the current cost component. The first challenge is reliance on external data sources. For example, the most recent iteration of the model includes comparative data from the Southern Regional Education Board (SREB), the Integrated Postsecondary Education Data System (IPEDS), and other states' data. The use of external data for benchmarking has strengths and weaknesses. On the one hand, external data helps institutions in states like Louisiana highlight disparities in state funding compared to regional and national peers. On the other hand, relying on external data sources involves several risks. For example, changes to data reporting methods may occur, or there may be delays in data availability. Louisiana significantly relies on external data for its higher education funding formula compared to other states.

The second major challenge with the current cost component is its complexity. A simplified version stands to benefit the BOR staff, institutions, and the public. If the cost methodology

remains complex, a perception can grow that the state funding formula and calculation process are not transparent.

## Outcomes Component Challenges

The BOR states that the outcomes portion of the higher education funding formula includes metrics designed to incentivize schools to pursue and achieve the desires of the board and the people of the state. The outcomes — otherwise known as performance metrics in other states — include metrics that support an institution's role, scope, and mission. The metrics also include actions to promote student success, academic success, economic development, and workforce needs. The metrics for both two-year and four-year institutions in Louisiana fall under four categories of completers, research, workforce, and success factor completers. The specific metrics in the current model include:

- Student progression.
- Transfer students from two-year to four-year institutions.
- First-time first-year students time-to-degree.
- Transfer students time-to-degree.
- Graduate degree completion.
- Success factor completers.
- Workforce.

The outcomes metrics use a weight system to allocate a variable but finite portion of state appropriations for higher education each year. They are used separately by institutional type, with four-year institutions considered separately from two-year institutions.

The advisory group members identified several limitations with the current outcome metrics. For all types of institutions, the current metrics do not incentivize the participation or completion of first-generation or veteran students. Additionally, the metrics do not fully reward reverse transfers or promote work-based learning. The metrics for community colleges do not account for important cost drivers, such as non-credit instruction and costly non-degree programs. Finally, the current metrics emphasize research, which only a few institutions in the state can support due to the expensive infrastructure associated with it. Given the differentiation in mission, any new or updated metrics should account for the institutional mission, not just the types of degrees awarded.

The advisory committee members also identified other structural issues with the current outcomes-based funding model. First, the metrics reward institutions for work performed in the previous year rather than the current year, which creates a lag in funding that prevents institutions from fully supporting successful actions. The second issue is that funding is awarded from a fixed pool, so if an institution performs one year, but others perform equally as well or better, there is a chance that one or more institutions will not see an increase in funding. The uncertainty of award funding in a competitive process for a fixed amount of funds is also a

problem in other states. Addressing these issues is complicated due to yearly state budget allocations and the statutory requirements of the funding models in various states.

## Proposed Formula Changes

In the virtual meetings, advisory committee members reviewed the current base, cost, and outcome models and discussed some of the following changes.

Base and Cost Model Alternatives: The committee welcomed presentations on the state funding models of Illinois, Kentucky, and Missouri to learn more about their approaches. The models from these states incorporated some of the same base, cost, and outcomes components employed by Louisiana and the variation among the models provided interesting perspectives.

The Missouri model was of particular interest to the committee. Developed in consultation with NCHEMS, the Missouri adequacy model is based on the principles that public higher education institutions are public assets and that the state has certain responsibilities in sharing the costs of educating students. In line with the idea of state/institution shared responsibility, the model separates the base and cost models into fixed and variable portions. The fixed portion includes the costs of keeping the institution open, such as facilities and personnel costs. The variable costs focus on the programs offered by an institution and are calculated using weighted student credit hours and information on student populations served. According to the model's principles, the state funds all the fixed portions and only part of the variable cost. The portion of the Missouri model that appealed to the advisory committee was the fixed cost portion, especially in relation to faculty salaries. The group discussed several ideas:

- *Fixed-Cost to Performance Ratio*: The committee discussed using square footage and faculty salaries in their cost model. They discussed that the new calculation would serve as a state investment to institutions and provide a more transparent way to understand what they are guaranteed in the model. They also discussed the difference between total two-year and four-year appropriation and the fixed cost amount that would be used to fund the performance metrics. Additionally, the committee discussed having the fixed cost-to-performance ratio be 60%-to-40% or 65%-to-35%.
- *Fixed Cost of $30,000 for Instructional Faculty:* The committee discussed setting $30,000 in the model for faculty salaries, plus retirement and Medicare for all full-time instructional faculty. Any faculty member who ranks from instructor to full professor and is classified as full-time will be used in the model. Each institution's full-time equivalent (FTE) count will be multiplied by the salary and benefits amount. After discussing the idea, the committee determined that a $30,000 fixed cost for faculty salaries may not align with the state's goals. For instance, it might encourage institutions to hire more non-tenure track faculty while discouraging the hiring of tenure track faculty. As a result, the committee moved forward to explore other ideas. One potential solution discussed involves using external data sources, such as the SREB data on average salaries, and then multiplying it by the state's share to determine the appropriate funding amount.

However, this would continue the state's reliance on external data sources and compromise simplicity.

- *Funding the Academic Mission:* A per-square-foot amount will be funded for all instructional, academic support, student services, and plant operations and maintenance. This will fund the institution's academic mission of supporting student success.
- *Student Success:* The committee also discussed allocating state support to student-oriented budget areas such as academic support and student services or funding associated positions like advisors, financial aid, enrollment, etc.
- *Remove the cost portion of the model:* To simplify the overall funding formula and align it with state goals of increasing completions, the committee discussed placing less emphasis on the cost portion of the model and more on the outcomes portion, focusing on completions.

## Proposed Changes to Outcomes Metrics

Since the start of the advisory committee meetings, the committee members have been mindful that any adjustments to the metrics should support the state's objectives of incentivizing student progression, completion, and workforce development. Throughout the discussions, the committee has primarily focused on considering new metric additions and modifications, with minimal conversation about removing metrics. The following section reviews outcome metric discussions for all institutions, as well as metrics specific to four-year and two-year colleges.

### All Institutions

The Louisiana Higher Education Master Plan outlines the state's priority of increasing the percentage of working-age adults with a postsecondary credential from 44.2% in 2019 to 60% by 2030. With this goal, the committee seeks to place greater emphasis on completions in a new funding formula. In the current funding formula, Louisiana includes metrics that focus on retention, progression, time-to-award, completions by degree level, number of students enrolled, and the number of transfer students from two to four-year institutions. These metrics are shared with numerous other states that use an outcomes-based funding formula.

Building from their current set of metrics, committee members considered adding several new metrics for all institutions to incentivize completions. These metrics focus on:

- First-generation students.
- Weighted student credit hours.
- Reverse transfers.
- Meauxmentum.

### *First-Generation Students*

During several meetings, the committee discussed adding a first-generation metric to the new formula. Many states value first-generation student success, but only a few have included this metric in their higher education funding formula. The main reason for this is that there are challenges in defining first-generation student status. For example, in Colorado, a resident first-generation undergraduate student is defined as a student who, until the age of 18, has primarily resided with a single parent who does not possess a bachelor's degree, or with parents or guardians neither of whom possess a bachelor's degree. In California's community colleges, the definition is broader, with first-generation students being defined as students with one or more parents or guardians who have not attended any college. Due to the challenges in establishing a clear definition, and difficulty in understanding the implications of any definition they might choose, the committee decided not to proceed with adding a first-generation student metric at this time.

### *Weighted Student Credit Hours*

The committee discussed moving the weighted student credit hours metric from the cost component of the current funding formula to the outcomes portion in the new model. The purpose is to give greater emphasis to the outcome component of the formula. NCHEMS voiced several concerns with adding a weighted student credit hour metric to the outcomes model. For instance, institutions could be incentivized to enroll only students more likely to complete coursework than those who need additional support. Also, schools may be incentivized to produce as many completion credits as possible rather than focusing on higher-cost programs that benefit students and the state. In the end, the committee opted not to include weighted student credit hours in the final model.

### *Reverse Transfers*

Some committee members asked for the inclusion of a new reverse transfer metric. Many institutions enroll students who not only transfer from two-year to four-year schools but also transfer from four-year to two-year schools. The current model only recognizes two to four year transfers. The committee discussed the reverse transfer metric in several meetings. However, no consensus was reached on how to implement a measure. Nationally, NCHEMS was unable to identify another state using a similar metric. The closest state is Michigan, which requires four-year institutions to have agreements with a select number of community colleges that allow four-year students to enroll concurrently and earn an associate's degree at a community college.

After analyzing the data, the BOR staff reported that implementing a reverse transfer metric would counter creating a simpler formula. As a result, the reverse transfer metric was not included in the final model. NCHEMS recognizes the need to support all transfer students, regardless of transfer direction. However, using a reverse transfer metric is unlikely to directly contribute to the state's completion goals. Institutions, whether two-year or four-year, already receive credit for degree completion regardless of where the student began their academic career.

### *Workforce*

The committee discussed modifications to the workforce metric. In the current model, institutions receive points for awarding degrees that align with what the Louisiana Economic Development Department labels and 4 and 5-star jobs. Committee members discussed several options to improve the workforce metric. Ideas included the consideration of student debt-to-earnings ratio per program; measuring ROI to the state over a 7-10-year period; and adding a consideration to the model for economic conditions in each region and rural vs. urban salary levels. Several states use similar metrics focused on the labor market outcomes of graduates. As an example, Florida uses the percentage of bachelor's graduates earning $40,000 or above or continuing their education and the median wages of bachelor's graduates employed full-time. Florida's data is robust and includes graduates who reside in any state. Source partners in Florida include the State Wage Interchange System and the National Student Clearinghouse. In California, community colleges use the number of graduates who earn a regional living wage within a year of degree completion as an outcome in their funding formula. California uses labor market data from a state-run database to calculate the metric.

NCHEMS supports Louisiana's effort to supplement workforce metrics with labor market outcomes data. In the future, more states will likely include workforce and labor outcomes in their funding formulas to increase institutional accountability and incentivize student labor market success. The committee opted to improve the workforce metric with better data.

### *Meauxmentum*

In 2022, the Louisiana Board of Regents introduced the Meauxmentum Approach, an initiative to improve higher education outcomes. The goal of the initiative is to improve higher education outcomes and improve completion rates. To align the state funding formula with the Meauxmentum initiative, the committee discussed the addition of a metric measuring the passage rates of introductory math and English courses. The idea behind the metric is that passage of early math, and English courses are highly correlated with student academic success and eventual completion in both the two- and four-year sectors. Including a metric focused on these gateway introductory courses will help incentivize institutions to focus their efforts on improving passage rates.

Nationally, a small number of states have a similar metric. For instance, Nevada includes a gateway course completer metric that measures the total number of students who complete early math and English coursework. California recognizes its community colleges for the number of students passing transfer-level math and English courses. Finally, West Virginia also has a momentum program that awards the completion of developmental education coursework that leads to completion within five years. All committee members supported the addition of the math and English passing metrics.

## Four-Year Institution-Specific Metrics

Most of the current four-year outcome metrics did not raise any concerns among the committee members. The discussion on metrics focused on potential modifications and additions to the existing outcome measures. These included:

- Research.
- Transfers.
- Time-to-degree.
- Scaling on mission.
- Institution-specific metrics.

### *Research*

The committee discussed reducing the weight of the research metric. They reasoned that legacy research institutions have an advantage over institutions without the existing research infrastructure. The request to de-emphasize research in the new model was also reiterated in the systemwide response letters and selected as a priority recommendation by the committee. Currently, Louisiana uses federal data for research expenditures. A slight modification would involve using institution-reported research data that includes more research expenditure information than what is currently provided by the federal government. Nationally, several other states use a research metric. For example, Tennessee includes a research expenditure metric for the university tier. In Florida, institutions are allowed to select a metric, and currently, Florida Atlantic University opted to use research expenditures as an outcome for their performance funding model. NCHEMS views the idea of de-emphasizing research in the model as a step to increase institutional equity and use state support to more directly support the master plan goals.

### *Transfers*

The committee discussed ways to help institutions support transfer students through credential completion. One option discussed was revising the transfer metric so that students who transfer to a four-year institution with more credit hours from a two-year institution will earn more points for the two-year institution compared to students who had transferred after their first semester in their first year. Nationally, there are few, if any, examples of a similar metric. NCHEMS is concerned that this metric may be overly difficult for institutions and the BOR staff to manage and does not directly align well with state completion goals.

### *Time-to-Degree*

The committee discussed shifting away from awarding credit based on time-to-degree and instead focusing on counting the completions in a year. The completion metrics would then have additional weights based on workforce and demographic metrics. The change would resemble a practice employed in several other states such as Tennessee for all institutions and Texas for their two-year institutions. Nationally, only a handful of states use time-to-degree as a metric. In most states incorporating a time-to-degree metric, the focus is on four- or six-year

completion rather than increments between four and eight or more. States that use time to degree for four or six years include Florida and Tennessee. NCHEMS cautions that using time-to-degree metrics often favors institutions that enroll mainly traditional-aged students and hurts institutions that predominately enroll adult or working students.

### *Scaling on Mission*

The committee members expressed their desire to consider the institutional missions in the new model. To address this topic, the committee discussed the possibility of creating different tiers for the state's institutions. There are good examples of mission tiers and weights in Nevada and Tennessee. NCHEMS recommends that Louisiana consider different mission weights, while still balancing the desire for simplicity in the new proposed formula.

### *Institution-Specific Metrics*

The committee discussed allowing each institution to select a metric based on the institution's mission and scope. The idea is to provide institutions with another opportunity to participate in the state funding formula process and chart, at least in part, institution-specific incentives. While individual metric selection is not typical across the country, large states such as Florida use a model that includes metrics selected by each institution.

NCHEMS believes that there are pros and cons to institution-specific metrics. The pros are that the specific metrics can help institutions highlight what makes their college or university unique and communicate their achievements to legislators and the public. The cons are that introducing more metrics can add complexity to the model, increase administrative burden and are not likely to drive institutional behaviors since institutions will select metrics they already excel on. After discussing the topic, the committee opted not to move forward with institution-specific metrics.

## Two-Year Institution-Specific Metrics

The committee had a robust discussion throughout the process on the two-year institution part of the funding formula. Members of the committee from the community colleges requested only minimal changes to the existing metrics in the formula. Instead, members asked for metrics to be added. The committee members were concerned that the current model does not fully recognize all the work that community colleges do to serve students and the state, especially in providing non-credit instruction. Changes discussed by the committee include:

- Award completion weights.
- Dual enrollment metric.
- Non-credit instruction.
- Progression metric.

### *Award Completion Weights*

The committee discussed the weight values for certificates and other award completions. Community college representatives on the committee explained that their institutions provide value to the state not only through the production of associate degrees but also through the

production of certificates and other credentials critical in workforce development. Nationally, several states recognize credentials other than associate degrees. After discussion, the committee opted to recognize all credentials and increase weights. This approach most directly supports the completion focus on the state's master plan for higher education.

### *Dual Enrollment*

Recognizing dual enrollment within the formula was generally favored by committee members. Dual enrollment funding can vary widely by state, however, the metric in Tennessee is a good example. The Tennessee model tracks the unduplicated headcount of high school students taking degree-credit courses in an academic year. In thinking about how Louisiana would implement a similar metric, the committee discussed tracking hours dual enrollment hours completed. NCHEMS supports the inclusion of a dual enrollment metric as a mechanism to recognize the existing work of institutions and incentivize more dual enrollment instruction, which can set students on a clear pathway into postsecondary education.

### *Non-Credit Instruction Metric*

During the review process, the committee's community college representatives stressed the importance of including a metric in the new model that acknowledges the value of non-credit instruction as well as credit production. NCHEMS points out that this is a major concern nationwide, as state funding models have not adequately supported non-credit instruction, particularly in the two-year sector. Only within the past few years have states begun to value non-credit instruction and include related metrics. A great example is Texas, which permits the use of base funding for developmental education courses. Texas also added a metric for community colleges that recognizes institutional efforts contributing to licenses. The final proposed model includes a metric related to Validated Skills Learning.

### *Progression Metric*

The committee members requested that the new funding formula retain the progression metric. After discussing different student credit hours options, the committee decided that a 15-hour interval for the two-year institutions is appropriate. Progression metrics are commonly used in funding formulas nationally. NCHEMS supports the retention of the progression metric to recognize student retention.

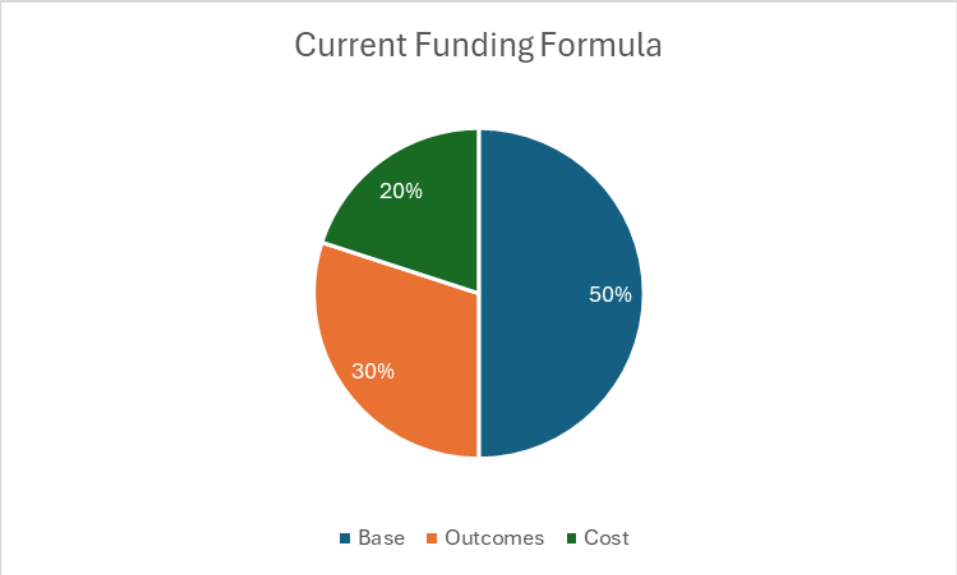
## Proposed New Funding Formula

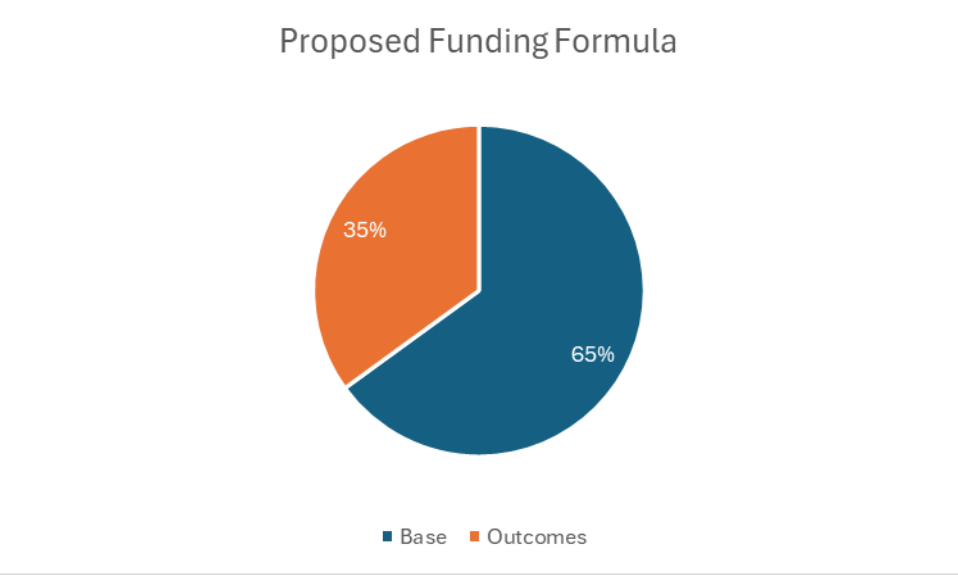
The Regents staff developed a proposed new funding formula in response to feedback from the committee members and the systems. The key changes to the proposed formula involved simplifying the base portion, removing the cost portion, and modifying the outcomes portion to focus more on the state's completion goals. The formula includes statewide metrics as well as specific metrics for both two-year and four-year institutions.

## Statewide

### *Base and Cost Components*

A priority recommendation of the committee was to maintain the base component of the funding formula to ensure predictability, stability, and a minimum level of funding for all institutions. The new model increases the base component from 50% to 65% of the funding formula. In addition, the funding for the base component will now be determined based on the full state appropriation for higher education rather than on a pro-rata basis, as in previous years.




The cost portion of the funding formula has been removed, and more emphasis is placed on the outcomes component, with a percentage increase from 30% to 35%. The cost portion was

removed because it was not transparent and obtaining the current and relevant data was challenging. Increasing the base will provide institutions with greater predictability.

NCHEMS believes including a cost portion in state funding formulas is a best practice. A cost component consideration adequately addresses variations in program costs and funding institutions. Nevertheless, NCHEMS recognizes the state's funding challenges and the committee's objectives to simplify the model, increase transparency for institutions, and increase the formula's direct focus on completions. Moving forward, we recommend that the institutions and BOR staff continually monitor if and how a more accurate cost measure could support the state's higher education funding approach and provide a rationale for determining base amounts.

### *Outcomes*

The committee maintained most of the previous model and instead made additions to the outcomes formula that did not exist previously. Statewide additions include math and English passage counts, a new metric associated with the Board of Regents Meauxmentum initiative. The second new metric is the dual enrollment and experimental learning metric. The metric was added to recognize the work two- and four-year institutions do to educate students in dual enrollment and experiential coursework. Other changes included slight modifications to measurement values.

In addition to the modifications to metrics, the new model now includes a research group and a regional/Historically Black Colleges and Universities group within the four-year institution segment. Two institutions make up the research group: Louisiana State University and Agricultural and Mechanical College and University of Louisiana at Lafayette. All other four-year institutions are included in the regional group. Only research institutions compete on the research expenditure and graduate degree completion metrics.

## Four-Year Institutions

The new and current models for four-year institutions share many of the same metrics. The significant changes include adding Meauxmentum metrics focused on early math and English passage rates; a dual-enrollment and work-based learning metric; changes to the student population calculations from per student to performance against state averages; and separating research as a new component. The new model also uses a different weighting strategy that emphasizes completion and progression compared to the current model. Details on the modifications are included in the table below.

| **Current Model**<br>Four-Year Institutions | **New Model**<br>Four-Year institutions<br>*(Modifications and new metrics in italics)* |
|---|---|
| Student Progression<br>• Prep<br>• Freshman<br>• Sophomore<br>• Junior/Other<br>• Senior<br>• Graduate | Student Progression<br>• Prep<br>• Freshman<br>• Sophomore<br>• Junior/Other<br>• Senior<br>• *Graduate (Modified – Only measured for four-year research institutions)* |
| Transfer Students<br>• Accepting from a two-year institution. | Transfer Students<br>• Accepting from a two-year institution. |
| Research<br>• For every $1,000 in federal research expenditures. | Research *(New separate component)*<br>• For every $1,000 in federal research expenditures. |
| First-Time First-Year Student Time-to-Degree<br>• <=4 years<br>• 4-4.5 years<br>• 4.5-5.0 years<br>• 5-6 years<br>• 6-8 years<br>• >8 years | First-Time First-Year Student Time-to-Degree *(Decreased weights)*<br>• <=4 years<br>• 4-4.5 years<br>• 4.5-5.0 years<br>• 5-6 years<br>• 6-8 years<br>• >8 years |
| Transfer Time-to-Degree<br>• <=3 years<br>• 3-3.5 years<br>• 3.5-4 years<br>• 4-4.45 years<br>• 4.5-6 years<br>• >6 years | Transfer Time-to-Degree *(Decreased weights)*<br>• <=3 years<br>• 3-3.5 years<br>• 3.5-4 years<br>• 4-4.45 years<br>• 4.5-6 years<br>• >6 years |
| Graduate Degree Completion<br>• Professional<br>• Doctoral<br>• Masters<br>• Post-Masters/Prof.<br>• Ed. Specialist<br>• Grad Certificate | Graduate Degree Completion<br>• Professional<br>• Doctoral<br>• Masters<br>• Post-Masters/Prof.<br>• Ed. Specialist<br>• Grad Certificate |
| Success Factor Completers<br>• Underrepresented Minority Completer<br>• Pell Completer<br>• Adult Completer | *Success Factor Completers (Modified – based on state averages) (Increased weights)*<br>• *Underrepresented Minority Completer*<br>• *Pell Completer*<br>• *Adult Completer* |

| | |
|---|---|
| Workforce<br>• Tier 4<br>• Tier 3<br>• Tier 2<br>• Tier 1 | Workforce<br>• Tier 4<br>• Tier 3<br>• Tier 2<br>• Tier 1<br>• *Tier 0 (New – represents a new tier associated with 4- or 5-star jobs.)* |
| | *Math and English Passage (New)*<br>• *Measured by each student passing entry-level math and English coursework.* |
| | *Dual Enrollment and Experimental Learning (New)*<br>• *Measured by student credit hours completed.* |

## Two-Year Institutions

The two-year institution portion of the model included several modifications and the removal of one metric. Metrics with modifications from the current model included changing the student progression calculation from class levels to credit hours completed; adding weights for A1 and A2 completions; changes to the student population calculations from per student to performance against state averages; and workforce weight changes. The updated formula also incorporates new Meauxmentum metrics, including a new dual enrollment experiential learning metric and an early math and English passage metric. The current metric on cross-enrollment was not included in the new model.

| **Current Model**<br>Two-Year Institutions | **New Model**<br>Two-Year institutions<br>*(Modifications, new and removed metrics in italics)* |
|---|---|
| Student Progression<br>• Prep<br>• Freshman<br>• Sophomore<br>• Other | *Student Progression (Modified – from levels to hours completed)*<br>• *<15*<br>• *15-<30*<br>• *30-<45*<br>• *45+* |
| Transfer Students<br>• Transfer from a two-year institution. | Transfer Students<br>• Transfer from a two-year institution. |
| Cross-Enrolled<br>• Students at two-year institutions also enrolled at a four-year institution. | *Cross-Enrolled (Removed)*<br>• ~~*Students at two-year institutions also enrolled at a four-year institution*~~ |

| | |
|---|---|
| First-Time First-Year Student Time-to-Degree (Associates)<br>• <=2 years<br>• 2-2.3 years<br>• 2.3-2.7 years<br>• 2.7-3 years<br>• 3-4 years<br>• >4 years | First-Time First-Year Student Time-to-Degree (Associates) *(Removed)*<br>• ~~<=2 years~~<br>• ~~2-2.3 years~~<br>• ~~2.3-2.7 years~~<br>• ~~2.7-3 years~~<br>• ~~3-4 years~~<br>• ~~>4 years~~ |
| Certification/Diploma Completion<br>• Certificate<br>• Diploma | *Certification/Diploma Completion (Modifications 1) addition of A1 and A2 completions, and 2) addition of Associates)*<br>• *A1*<br>• *A2*<br>• *Certificate*<br>• *Diploma*<br>• Associates |
| Success Factor Completers<br>• Underrepresented Minority Completer<br>• Pell Completer<br>• Adult Completer | *Success Factor Completers (Modified – based on state averages) (Increased weights)*<br>• *Underrepresented Minority Completer*<br>• *Pell Completer*<br>• *Adult Completer* |
| Workforce<br>• Tier 4<br>• Tier 3<br>• Tier 2<br>• Tier 1 | Workforce *(Increased weights)*<br>• Tier 4<br>• Tier 3<br>• Tier 2<br>• Tier 1<br>*Tier 0 (New – represents a new tier associated with 4- or 5-star jobs)* |
| | *Math and English Passage (New)*<br>• *Measured by each student passing entry-level math and English coursework.* |
| | *Dual Enrollment and Experimental Learning (New)*<br>• *Measured by student credit hours completed.* |

## Final Thoughts

The 2024 formula review process produced a new and innovative proposed funding formula. The proposed formula aims to simplify the structure while providing meaningful incentives for student and institutional success. It was developed with the input of the advisory committee, the state systems, representatives in other states, and NCHEMS. The proposed formula builds upon the state's prior funding models, improves transparency, and aligns with the objectives of the Regent's Master Plan for Higher Education. With a focus on access and success, encouragement of educational attainment in high-demand disciplines, recognition of differing institutional missions, and credit for student progression, the new proposed funding formula holds the potential to be an innovative model that supports the workforce objectives of the state.