

Arkansas Division of Higher Education

Productivity Funding ‘Report Card’ for Arkansas Public Colleges and Universities

Fiscal Year 2021-22



Institutional Finance

December 2020

Arkansas Division of Higher Education
423 Main Street, Suite 400 Little Rock, AR 72201

RECOMMENDATION FOR DISTRIBUTION OF PRODUCTIVITY FUNDING FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION 2021-22 FISCAL YEAR

Background

A.C.A. §6-61-234 directs the Arkansas Higher Education Coordinating Board (AHECB) to adopt polices developed by the Arkansas Division of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. That language reads as follows:

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

Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in our state.

At its October 27, 2017 meeting, the AHECB approved the productivity funding model policies for the two-year colleges and universities and made amendments to these policies for unintended consequences in a special meeting on May 24, 2019. The policies were developed in conjunction with presidents and chancellors after meetings and revisions. The AHECB shall use the productivity-based funding model as the mechanism for recommending funding for applicable state-supported institutions of higher education. According to A.C.A. §6-61-234, 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. These special units are known as non-formula entities and ADHE staff will reviewed justification requests submitted by the non-formula entities and prepared funding recommendations for Fiscal Year 2021-22 based upon those requests.

Productivity Funding Distribution Recommendations for the 2021-22 Fiscal Year

The distribution recommendations are based upon the productivity funding formula policies approved by the AHECB in October 2017 and amended by the AHECB in May 2019.

The two-year college and university productivity funding models have been calculated using academic year 2017 through academic year 2019 student data as well as

academic year 2016 through academic year 2018 expenditure data reported to and published by the Integrated Postsecondary Education Data System (IPEDS). The productivity funding model calculations represent a total productivity increase of 2.84% for two-year colleges and universities. Productivity funding distribution policy; however, dictates that recommendations will be capped at no more than 2% in any given year. This 2% supports the recommendation for state funding of institutions of higher education at \$574,302,382 in 2021-22.

As part of the productivity funding formula, for the fourth year of funding, institutions are only allowed to retain a portion of their funding increase from the prior year. This amount is up to 2% of their Base Level revenue in the prior year. The remaining funds are considered one time Incentive funding and would be redistributed in the following year to reduce the need for additional state funds to meet the productivity funding need. This amount for FY2022 is \$3,546,645.

For the **universities**, an increase in funding is recommended for those institutions with productivity increases for a total change in university funding of \$8,376,594. In addition to this new funding, this is the third year that institutions with productivity declines will have an amount reduced and then reallocated to the institutions who showed an increase. All 10 of the universities reflected increases for FY2022 so there were no reallocations in this area.

For the **two-year colleges**, an increase in funding is recommended for those institutions with productivity increases for a total change in two-year college funding of \$2,884,237. In addition to this new funding, \$1,043,357 was reallocated from 7 institutions to the other 15 two-year colleges.

This distribution recommendation results in a total request for new general revenue funds of \$7,714,186.

ADHE Executive Staff recommend that the Arkansas Higher Education Coordinating Board approve the following resolution.

RESOLVED, That the Arkansas Higher Education Coordinating Board adopts the recommendation for distribution of productivity funding to the Arkansas public institutions of higher education in the 2021-22 fiscal year as included in Table A.

FURTHER RESOLVED, That the Director of the Arkansas Division of Higher Education is authorized to prepare appropriate documents for transmission to the Governor and the General Assembly of the 2021-22 productivity funding distribution recommendation of the Arkansas Higher Education Coordinating Board.

FURTHER RESOLVED, That should any errors of a technical nature be found in this recommendation, the Director of the Arkansas Division of Higher Education is authorized to make appropriate corrections

consistent with the policy established by the Board's action on these recommendations.

Year 4 - Productivity Funding Distribution

Productivity Index for FY2022	2.00%		
		Universities	Colleges
FY2022 RSA Forecast	\$ 563,041,551	74%	26%
Productivity Recommendation	\$ 11,260,831	8,376,594	2,884,237

	NEW FUNDING	REALLOCATED FUNDING
University	\$ 8,376,594	\$ -
College	\$ 2,884,237	\$ 1,043,357
TOTAL	\$ 11,260,831	\$ -

SOURCES OF NEW FUNDING	
State Contribution	\$ 7,714,186
Incentive Funding Contribution	\$ 3,546,645
Total	\$ 11,260,831

Year 4 Reallocation Loss Cap	2.00%
Year 4 Cap on RSA Increase	2.00%

Institution	RSA ONLY Funding FY2021	FY2021 Incentive Funding	FY2022 Base RSA	% Change in Productivity Index	NEW GENERAL REVENUE FUNDING			PRODUCTIVITY REALLOCATION				RECOMMENDATION				
					Productivity Index Increases (Increases Only)	Contribution to Increase (by Inst. Type)	Distribution of NEW Funding	Change in Productivity Index (Increases Only)	Contribution to Increase (by Inst. Type)	Reallocation Losses (2.0%)	Reallocation of Productivity Losses	Recommended Funding 2021-2022	Total Change in Funding	% Change	RSA Increase (Capped at 2.0%)	Incentive Funding
ASUJ	\$ 56,935,389	\$ -	\$ 56,935,389	4.54%	1,333	17.65%	1,478,740	1,333	17.65%	\$ -	\$ -	\$ 58,414,129	\$ 1,478,740	2.60%	\$ 1,138,708	\$ 340,033
ATU*	\$ 33,387,368	\$ -	\$ 33,387,368	1.45%	324	4.29%	359,699	324	4.29%	\$ -	\$ -	\$ 33,747,068	\$ 359,699	1.08%	\$ 359,699	\$ -
HSU	\$ 18,949,729	\$ -	\$ 18,949,729	3.46%	263	3.49%	291,938	263	3.49%	\$ -	\$ -	\$ 19,241,667	\$ 291,938	1.54%	\$ 291,938	\$ -
SAUM	\$ 17,179,180	\$ 882,704	\$ 16,296,477	5.10%	539	7.14%	597,975	539	7.14%	\$ -	\$ -	\$ 16,894,452	\$ 597,975	3.67%	\$ 325,930	\$ 272,045
UAF	\$ 122,829,056	\$ -	\$ 122,829,056	5.42%	3,224	42.68%	3,575,475	3,224	42.68%	\$ -	\$ -	\$ 126,404,531	\$ 3,575,475	2.91%	\$ 2,456,581	\$ 1,118,894
UAFS	\$ 20,347,201	\$ -	\$ 20,347,201	2.15%	258	3.41%	285,624	258	3.41%	\$ -	\$ -	\$ 20,632,826	\$ 285,624	1.40%	\$ 285,624	\$ -
UALR	\$ 56,358,996	\$ -	\$ 56,358,996	0.75%	159	2.10%	175,929	159	2.10%	\$ -	\$ -	\$ 56,534,925	\$ 175,929	0.31%	\$ 175,929	\$ -
UAM*	\$ 15,973,435	\$ -	\$ 15,973,435	5.24%	316	4.19%	351,046	316	4.19%	\$ -	\$ -	\$ 16,324,481	\$ 351,046	2.20%	\$ 319,469	\$ 31,578
UAPB	\$ 22,498,846	\$ -	\$ 22,498,846	4.23%	296	3.92%	328,458	296	3.92%	\$ -	\$ -	\$ 22,827,305	\$ 328,458	1.46%	\$ 328,458	\$ -
UCA	\$ 55,253,184	\$ -	\$ 55,253,184	3.50%	840	11.12%	931,708	840	11.12%	\$ -	\$ -	\$ 56,184,892	\$ 931,708	1.69%	\$ 931,708	\$ -
4YR SUBTOTAL	419,712,386	882,704	418,829,682	3.78%	7,552	100%	8,376,594	7,552	100%	\$ -	\$ -	427,206,276	\$ 8,376,594	2.00%	\$ 6,614,044	\$ 1,762,549
ANC	\$ 8,698,428	\$ 37,320	\$ 8,661,107	5.66%	160	5.56%	160,383	160	5.56%	\$ -	\$ 58,018	\$ 8,879,507	\$ 218,400	2.52%	\$ 173,222	\$ 45,178
ASUB	\$ 11,750,839	\$ -	\$ 11,750,839	-1.92%	-	0.00%	-	-	0.00%	\$ 225,790	\$ (225,790)	\$ 11,525,049	\$ (225,790)	-1.92%	\$ -	\$ -
ASUMH	\$ 3,683,762	\$ -	\$ 3,683,762	-3.56%	-	0.00%	-	-	0.00%	\$ 73,675	\$ (73,675)	\$ 3,610,087	\$ (73,675)	-2.00%	\$ -	\$ -
ASUMS	\$ 4,042,384	\$ 17,974	\$ 4,024,410	1.96%	53	1.85%	53,489	53	1.85%	\$ -	\$ 19,349	\$ 4,097,248	\$ 72,838	1.81%	\$ 72,838	\$ -
ASUN	\$ 6,798,025	\$ 532,167	\$ 6,265,859	6.83%	362	12.59%	363,150	362	12.59%	\$ -	\$ 131,368	\$ 6,760,376	\$ 494,517	7.89%	\$ 125,317	\$ 369,200
ASUTR	\$ 3,470,877	\$ -	\$ 3,470,877	-1.83%	-	0.00%	-	-	0.00%	\$ 63,359	\$ (63,359)	\$ 3,407,518	\$ (63,359)	-1.83%	\$ -	\$ -
BRTC	\$ 5,961,595	\$ -	\$ 5,961,595	-4.61%	-	0.00%	-	-	0.00%	\$ 119,232	\$ (119,232)	\$ 5,842,363	\$ (119,232)	-2.00%	\$ -	\$ -
CCCUA	\$ 3,476,039	\$ -	\$ 3,476,039	2.68%	84	2.93%	84,456	84	2.93%	\$ -	\$ 30,551	\$ 3,591,046	\$ 115,007	3.31%	\$ 69,521	\$ 45,486
EACC	\$ 8,244,306	\$ -	\$ 8,244,306	8.94%	182	6.31%	182,042	182	6.31%	\$ -	\$ 65,853	\$ 8,492,200	\$ 247,894	3.01%	\$ 164,886	\$ 83,008
NAC	\$ 7,807,078	\$ -	\$ 7,807,078	-2.11%	-	0.00%	-	-	0.00%	\$ 156,142	\$ (156,142)	\$ 7,650,937	\$ (156,142)	-2.00%	\$ -	\$ -
NPC	\$ 8,821,684	\$ -	\$ 8,821,684	2.72%	127	4.43%	127,747	127	4.43%	\$ -	\$ 46,212	\$ 8,995,643	\$ 173,959	1.97%	\$ 173,959	\$ -
NWACC	\$ 12,172,778	\$ 1,178,718	\$ 10,994,060	5.61%	706	24.52%	707,310	706	24.52%	\$ -	\$ 255,866	\$ 11,957,235	\$ 963,176	8.76%	\$ 219,881	\$ 743,294
OZC	\$ 3,048,782	\$ -	\$ 3,048,782	5.92%	153	5.32%	153,359	153	5.32%	\$ -	\$ 55,477	\$ 3,257,617	\$ 208,835	6.85%	\$ 60,976	\$ 147,860
PCCUA	\$ 8,988,693	\$ -	\$ 8,988,693	9.13%	214	7.43%	214,337	214	7.43%	\$ -	\$ 77,535	\$ 9,280,565	\$ 291,872	3.25%	\$ 179,774	\$ 112,098
SACC	\$ 6,032,949	\$ -	\$ 6,032,949	0.77%	26	0.89%	25,776	26	0.89%	\$ -	\$ 9,324	\$ 6,068,050	\$ 35,101	0.58%	\$ 35,101	\$ -
SAUT	\$ 5,570,912	\$ -	\$ 5,570,912	4.40%	158	5.49%	158,479	158	5.49%	\$ -	\$ 57,329	\$ 5,786,719	\$ 215,807	3.87%	\$ 111,418	\$ 104,389
SEAC	\$ 5,496,724	\$ -	\$ 5,496,724	-7.35%	-	0.00%	-	-	0.00%	\$ 109,934	\$ (109,934)	\$ 5,386,789	\$ (109,934)	-2.00%	\$ -	\$ -
UACCB	\$ 4,130,132	\$ -	\$ 4,130,132	1.55%	46	1.58%	45,634	46	1.58%	\$ -	\$ 16,508	\$ 4,192,273	\$ 62,142	1.50%	\$ 62,142	\$ -
UACCHT	\$ 4,991,585	\$ 294,514	\$ 4,697,071	7.07%	237	8.22%	237,131	237	8.22%	\$ -	\$ 85,781	\$ 5,019,982	\$ 322,912	6.87%	\$ 93,941	\$ 228,970
UACCM	\$ 5,369,833	\$ 284,410	\$ 5,085,423	3.42%	194	6.75%	194,563	194	6.75%	\$ -	\$ 70,382	\$ 5,350,369	\$ 264,946	5.21%	\$ 101,708	\$ 163,237
UA-RM	\$ 3,557,135	\$ 318,839	\$ 3,238,296	10.56%	176	6.12%	176,383	176	6.12%	\$ -	\$ 63,805	\$ 3,478,484	\$ 240,188	7.42%	\$ 64,766	\$ 175,422
UA-PT	\$ 14,761,272	\$ -	\$ 14,761,272	-8.15%	-	0.00%	-	-	0.00%	\$ 295,225	\$ (295,225)	\$ 14,466,046	\$ (295,225)	-2.00%	\$ -	\$ -
2 YR SUBTOTAL	\$ 146,875,810	\$ 2,663,941	\$ 144,211,868	0.95%	2,879	100%	2,884,237	2,879	100%	\$ 1,043,357	\$ -	\$ 147,096,106	\$ 2,884,237	2.00%	\$ 1,709,451	\$ 2,218,144
TOTAL	\$ 566,588,196	\$ 3,546,645	\$ 563,041,551	2.84%	-	-	11,260,831	-	-	-	\$ -	\$ 574,302,382	\$ 11,260,831	2.00%	\$ 8,323,495	\$ 3,980,693