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# ARKANSAS HIGHER EDUCATION COORDINATING BOARD

## SPECIAL MEETING

MAY 22, 2017



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Arkansas Department of Higher Education

423 Main Street, Suite 400 | Little Rock, AR 72201 | (501) 371-2000

# **ARKANSAS HIGHER EDUCATION COORDINATING BOARD SPECIAL MEETING**

**Monday, May 22, 2017  
1:00 p.m.**

**Arkansas Department of Higher Education**

## **AGENDA**

- \*1. Performance Funding Outcomes (Ms. Tara Smith)
- \*2. Economic Feasibility of Loan Issue for Southern Arkansas University (Ms. Smith)
- \*3. Productivity Funding Policy for Two-Year Colleges (Dr. Maria Markham)
- \*4. Productivity Funding Policy for Four-Year Universities (Dr. Markham)

## PERFORMANCE FUNDING OUTCOMES

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### **Background**

Act 1203 of 2011 repealed Arkansas Code § 6-61-223 and amended §6-61-224, §6-61-228, §6-61-229, and §6-61-230. The act directed the Department of Higher Education to develop an outcome-centered component of the funding formula for colleges and universities by December 31, 2011. The Department of Higher Education, in conjunction with the presidents, chancellors and key staff at the universities and colleges and the Executive Director and key staff at the Arkansas Community Colleges (ACC), developed the outcome-centered component of the funding formula that was approved by the Arkansas Higher Education Coordinating Board on December 2, 2011. The funding recommendations are now based on the need component of student enrollment and the output components of student success and other performance measures. The proportion of the funding recommendation begins with five percent based on outcome-centered measures in 2013-14, increasing by five percent each year to reach 25 percent in 2017-18. In addition, A.C.A. § 6-61-233 states that the implementation of the funding component of the outcome-centered formula 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. The results for the fifth year of the performance based funding is attached to this agenda item.

**Performance Funding  
Methodology – Universities  
Year 5 (April 2017)**

\*\*Bachelor & Total Credentials measured against the goal of increasing 4.73% each year (Base Year = AY2010 )

\*All other measures comparing an average of the most recent 2 years to an average of the previous 3 years. (AY2012 through AY2016)

\*Total Possible Points = 10

\*Compensatory points for percentage of Pell receiving undergraduates may be added to the total points, but cannot increase the total points above 10.

<b>Mandatory (4 max points)</b>		
Credentials	Bachelor	1.00
	Total Credentials	1.00
STEM Credentials		1.00
Progression		1.00
<b>TOTAL</b>		<b>4.00</b>

<b>Compensatory (1 max point)</b>		
Low-Income		1.00

<b>Optional (6 max points)</b>	
Minority Credentials	1.00
Non-Traditional Credentials	1.00
Remedial Credentials	1.00
Transfer Students Credentials	1.00
High Demand Credentials	1.00
Course Completion	1.00
External Grants & Awards	1.00
Regional Economic Needs	1.00
Patents	1.00
Company Start-Ups	1.00

University Performance Results - Year 5 (April 2017)											
Measure	MANDATORY RESULTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
1A	Bachelor Degrees	89%	117%	96%	91%	134%	150%	101%	76%	79%	71%
1B	All Credentials	115%	119%	66%	106%	120%	106%	91%	89%	81%	77%
2	STEM Credentials	102.95%	112.27%	118.53%	266.78%	129.50%	131.00%	126.75%	87.50%	109.19%	112.79%
3	Progression	101.81%	100.26%	101.60%	101.25%	100.46%	104.00%	101.32%	102.30%	105.16%	99.14%
	OPTIONAL RESULTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
4	Minority Credentials	75	63	22	6	254	47	86	41	-46	73
5	Non-Traditional Credentials (at graduation)	-126	177	-75	-4	22	-45	-18	-30	-15	128
6	Remedial Credentials	-11	92	17	-28	40	-51	52	-7	-64	48
7	Transfer Students Credentials	-112	97	-29	-17	19	27	35	-20	7	77
8	High Demand	-374	240	-74	64	733	82	62	7	-8	-12
9	Course Completion - Courses where Credit was earned	0.08%	1.57%	0.74%	1.45%	1.90%	1.25%	1.44%	2.39%	2.98%	0.37%
10	External Grants and Awards Expenditures	-\$2,881,238	\$515,410	\$753,709	\$1,061,248	\$11,959,390	-\$781,625	-\$1,261,634	-\$102,404	-\$4,481,526	\$433,804
11	Regional Critical Need/Economic Development	-165	2	-92	1	207	11	35	-12	13	10
12	Patents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Company Start-Ups	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	MANDATORY POINTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
1A	Bachelor Credentials (points earned are capped at 1)	0.89	1.00	0.96	0.91	1.00	1.00	1.00	0.76	0.79	0.71
1B	Total Credentials (points earned are capped at 1)	1.00	1.00	0.66	1.00	1.00	1.00	0.91	0.89	0.81	0.77
2	STEM Credentials	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	1.00
3	Progression	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.10
	OPTIONAL POINTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
4	Minority Credentials	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00
5	Non-Traditional Credentials (at graduation)	0.00	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	1.00
6	Remedial Credentials	0.00	1.00	1.00	0.00	1.00	0.00	1.00	0.00	0.00	1.00
7	Transfer Students Credentials	0.00	1.00	0.00	0.00	1.00	1.00	1.00	0.00	1.00	1.00
8	High Demand	0.00	1.00	0.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00
9	Course Completion - Courses where Credit was earned	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10	External Grants and Awards Expenditures	0.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	1.00
11	Regional Critical Need/Economic Development	0.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00	1.00	1.00
12	Patents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Company Start-Ups	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	COMPENSATORY POINTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
14	% of Low Income	0.47	0.57	0.59	0.55	0.21	0.62	0.54	0.71	0.81	0.48
	TOTAL POINTS	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
	<b>Total Mandatory Points (max = 4pts)</b>	<b>3.89</b>	<b>4.00</b>	<b>3.62</b>	<b>3.91</b>	<b>4.00</b>	<b>4.00</b>	<b>3.91</b>	<b>2.65</b>	<b>3.60</b>	<b>2.58</b>
	<i>Total Optional Points</i>	<i>2.00</i>	<i>8.00</i>	<i>4.00</i>	<i>5.00</i>	<i>8.00</i>	<i>5.00</i>	<i>6.00</i>	<i>3.00</i>	<i>3.00</i>	<i>7.00</i>
	<b>Total Optional Allowed (max = 6pts)</b>	<b>2.00</b>	<b>6.00</b>	<b>4.00</b>	<b>5.00</b>	<b>6.00</b>	<b>5.00</b>	<b>6.00</b>	<b>3.00</b>	<b>3.00</b>	<b>6.00</b>
	<i>Total Compensatory Points</i>	<i>0.47</i>	<i>0.57</i>	<i>0.59</i>	<i>0.55</i>	<i>0.21</i>	<i>0.62</i>	<i>0.54</i>	<i>0.71</i>	<i>0.81</i>	<i>0.48</i>
	<b>Total Compensatory Points Allowed</b>	<b>0.47</b>	<b>0.00</b>	<b>0.59</b>	<b>0.55</b>	<b>0.00</b>	<b>0.62</b>	<b>0.09</b>	<b>0.71</b>	<b>0.81</b>	<b>0.48</b>
	<b>Total (max = 10 pts)</b>	<b>6.36</b>	<b>10.00</b>	<b>8.21</b>	<b>9.46</b>	<b>10.00</b>	<b>9.62</b>	<b>10.00</b>	<b>6.36</b>	<b>7.41</b>	<b>9.06</b>

N/A = Data in not available

University Performance Measures - Year 5 (April 2017)											
Measure	MANDATORY	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
1A	Bachelor Degrees - State goal 4.73% (Base Year AY10)	1,955	1,208	551	486	3,281	528	1,377	417	472	2,030
	Bachelor Degrees -Actual (2-Yr Average)	1,740	1,410	526	442	4,411	791	1,385	317	374	1,445
1B	All Credential (exclude CPs)- State Goal 4.73% (Base Year AY10)	3,368	2,000	1,073	762	4,964	1,104	2,685	990	515	2,835
	All Credential (exclude CPs) - Actual (2-YR Average)	3,883	2,386	712	809	5,945	1,167	2,442	886	417	2,185
2	STEM Credentials - 2 YR Average	262	246	57	133	1,611	166	393	56	99	193
	STEM Credentials - 3 YR Average	254	219	48	50	1,244	126	310	64	91	171
3	Progression - 2 YR Average	84.8%	79.5%	81.8%	82.5%	89.2%	78.2%	74.6%	72.1%	80.4%	83.7%
	Progression - 3 YR Average	83.3%	79.3%	80.5%	81.5%	88.8%	75.2%	73.7%	70.5%	76.5%	84.4%
Measure	OPTIONAL	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
4	Minority Credentials - 2 YR Average	693	321	186	200	969	289	754	270	377	423
	Minority Credentials - 3 YR Average	618	258	164	194	714	242	668	229	423	350
5	Non-Traditional Credentials (at graduation) - 2 YR Average	2,328	1,224	297	294	1,909	521	1,723	358	146	897
	Non-Traditional Credentials (at graduation) - 3 YR Average	2,454	1,047	372	298	1,887	565	1,741	388	161	769
6	Remedial Credentials - 2 YR Average	846	826	199	200	617	381	616	264	282	441
	Remedial Credentials - 3YR Average	857	734	182	228	576	431	563	270	346	393
7	Transfer Credentials (Receiving) - 2 YR Average	978	603	219	171	945	185	873	109	78	569
	Transfer Credentials (Receiving) - 3 YR Average	1,089	506	248	187	926	158	837	129	71	492
8	High Demand - 2 YR Average	2,565	1,700	536	595	4,468	814	1,788	488	330	1,439
	High Demand - 3 YR Average	2,939	1,460	610	531	3,735	732	1,726	481	338	1,450
9	Course Completion - Courses where Credit was earned - 2YR AVG.	89.74%	85.18%	86.65%	88.54%	90.47%	86.35%	84.48%	85.00%	85.60%	88.38%
	Course Completion - Courses where Credit was earned - 3YR AVG.	89.66%	83.61%	85.92%	87.09%	88.56%	85.09%	83.04%	82.61%	82.62%	88.01%
10	External Grants and Awards Expenditures - 2YR AVG.	\$24,161,862	\$2,566,488	\$4,131,178	\$4,400,437	\$90,865,121	\$4,501,187	\$27,981,022	\$1,726,888	\$17,125,619	\$7,493,305
	External Grants and Awards Expenditures - 3YR AVG.	\$27,043,101	\$2,051,078	\$3,377,468	\$3,339,189	\$78,905,731	\$5,282,812	\$29,242,655	\$1,829,292	\$21,607,145	\$7,059,500
11	Regional Critical Need/Economic Development - 2 YR Average	1,684	117	128	218	988	213	478	50	94	264
	Regional Critical Need/Economic Development - 3 YR Average	1,849	115	220	217	780	202	443	61	81	254
12	Patents - 2 YR Average	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Patents - 3 YR Average	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	New Company Start-ups - 2 YR Average	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	New Company Start-ups - 3 YR Average	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Measure	COMPENSATORY	ASUJ	ATU	HSU	SAUM	UAF	UAFS	UALR	UAM	UAPB	UCA
14	% of Low Income	47%	57%	59%	55%	21%	62%	54%	71%	81%	48%

Mandatory Measures		
Measure	Definition	Detail
Bachelor Credentials	Number of bachelor's degrees earned by students for an academic year regardless of enrollment status.	To reach the goal of doubling the number of degrees, a goal of bachelor's awarded is calculated based on the current proportional share of degrees awarded statewide. The goal is increased annually from the base year of 2009-10 by 4.73% to provide the needed increase toward the overall state goal of doubling the number of degrees. Each institution's performance annually toward its own goal is calculated as a percent of the goal met. That percentage produces a point or partial point based on 100% of goal. The point earned is capped at 1.0.
Total Credentials	Number of all credentials (technical certificates and above) earned by a student for an academic year regardless of enrollment status.	To reach the goal of doubling the number of degrees, a goal of all credentials awarded is calculated based on the current proportional share of degrees awarded statewide. The goal is increased annually from the base year of 2009-10 by 4.73% to provide the needed increase toward the overall state goal of doubling the number of degrees. Each institution's performance annually toward its own goal is calculated as a percent of the goal met. That percentage produces a point or partial point based on 100% of goal. The point earned is capped at 1.0.
STEM Credentials	Number of all credentials (technical certificates and above) earned by a student for an academic year regardless of enrollment status in the STEM CIP Codes. The source identifying STEM CIP Codes is the 2011 version published by US Immigration and Customs Enforcement (ICE). The list may be found at the following website ( <a href="http://www.ice.gov/sevis/stemlist.htm">www.ice.gov/sevis/stemlist.htm</a> ).	If the average number of STEM credentials earned during the two most recent academic years is greater than the average of the three previous academic years then 1 point is awarded. Otherwise, if the two year average is 98.01% to 100% of previous three year average, .8 points are awarded; 96.01% to 98% of the average is .6 points; 94.01% to 96% of the average is .4 points; 92.01% to 94% is 2 points; 92% or below will result in 0 points.
Progression: University Version (New Arkansas Measure)	This measure utilizes a cohort of credential-seeking students enrolling in 6 or more hours during a fall semester. The cohort is then tracked through the next academic year to identify how many students in the cohort earned a total 18 or more credit hours through the two academic years (including remedial/developmental courses). The Progression Rate is expressed as a percentage and changes overtime are expressed as a difference in percentage points. If a student graduates during the allotted timeframe, then that student is counted as progressed.	In each Fall Term, ADHE will create a Tracking Group for each institution by identifying the students enrolled in 6 or more hours on the 11th class day. The percentage of those students who either earned 18 hours during the subsequent two academic years or completed a degree or technical certificate at the institution in which they were enrolled for tracking will be counted as having progressed. An increase in the comparison of the most recent 2-year average to the previous 3-year average generates 1 point. Otherwise, if the two year average is 99.91% to 100% of previous three year average, .9 points are awarded; 99.81 to 99.9% of the average is .8 points; 99.71% to 99.8% of the average is .7 points; 99.61% to 99.7% is .6 points; 99.51% to 99.6% is .5 points; 99.41% to 99.5% is .4 points; 99.31% to 99.4% is .3 points; 99.21% to 99.3% is .2 points; 99.11% to 99.2% is .1 points; 99% or below will result in 0 points.
Optional Measures		
Measure	Definition	Detail
Course Completion	This is a Successful Course Completion Rate calculation which compares number of successful SSC# to all SSC# in all non-remedial courses. The Successful Course Completion Rate is expressed as a percentage and changes over time are expressed as a difference in percentage points.	If the average percentage of successful course completions during the two most recent academic years is greater than the average percentage of successful course completions of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Measure	Definition	Detail
High Demand Credentials	Number of all credentials (technical certificates and above) earned by a student for an academic year regardless of enrollment status in the High Demand CIP Codes. The 2011 version of the High Demand CIP Codes were obtained from ADWS (Arkansas Department of Workforce Services).	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Minority Student Credentials	Number of all credentials (technical certificates and above) earned to persons identified as Asian only, Black only, Hispanic any, American Indian/Alaska Native only, Hawaiian/Pacific Islander only or Two or More Races. (Unknowns, Non-Resident Aliens, White and Other graduates are not included.)	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Non-Traditional Student Credentials	Number of all credentials (technical certificates and above) earned by a non-traditional student in an academic year. Non-traditional students are defined as age 25 or older at the time of graduation.	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Remedial Student Credentials	Number of all credentials (technical certificates and above) earned by a remedial student in an academic year. Remedial students are defined as students who were required to take at least one remedial course for completion.	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Regional Economic Needs Programs Credentials	Number of all credentials (technical certificates and above) earned by a student for an academic year regardless of enrollment status in programs identified by the institution and approved by the Arkansas Higher Education Coordinating Board.	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Transfer Student Credentials	Number of all credentials (technical certificates and above) earned by a student transferring from another Arkansas public institution of higher education.	If the average number of credentials earned during the two most recent academic years is greater than or equal to the average of the three previous academic years then 1 point is awarded, otherwise 0 points are awarded.
Expenditure of Federal Awards	Increase in restricted federal expenditures excluding transfers and scholarships by fiscal year.	ADHE will use the restricted expenditures, excluding scholarship expenditures, from the institutional reporting on the 17 series to calculate a 3-year average of expenditures of funds from external sources. An average of the subsequent 2 years will be calculated from the same report. An increase in the comparison of the 3-year to 2-year average generates 1 point.
Patents	The number of U.S. patents (utility, plant or design) issued or reissued to an institution within the year. Certificates of plant variety protection issued by the USDA should be included.	Each institution will identify the number of U.S. patents issued on average of a 3-year period. An average of the subsequent 2 years will be calculated. An increase in the comparison of the 3-year to 2-year average generates 1 point.
New Company Start-ups	The number of new companies started during the years that were dependent on licensing an institution's technology for their formation.	Each institution will identify the number of new companies started on average of a 3-year period. An average of the subsequent 2 years will be calculated. An increase in the comparison of the 3-year to 2-year average generates 1 point.
Compensatory Measures		
Measure	Definition	Detail
Percentage of Pell Receiving Undergraduate Population	Percentage of all undergraduate students receiving Pell grants. ( <a href="http://nces.ed.gov/ipeds/data/">http://nces.ed.gov/ipeds/data/</a> )	The points awarded will be the percentage of undergraduate students receiving PELL as defined by IPEDS rounded to 2 significant digits.

**Performance Funding**  
**Methodology – Colleges**  
 Year 5 (April 2017)

\*Comparing an average of the most recent 3 years to an average of the most recent 5 years. (AY2012 through AY2016)

\*Total Possible Points = 10

\*Any increase is considered success.

\*Compensatory points for special populations (based on percentage of enrollment) may be added to mandatory total if less than 6.

<b>Mandatory (6 max points)</b>		
Course Completion (1)	Remedial (rate)	0.50
	Non-remedial (rate)	0.50
Progression (1)	18 additional hours	1.00
Credentials (4)	Cert. of Proficiency	0.50
	Technical Cert.	0.50
	Associate Degree	1.00
	Total Credentials (rate)	2.00
<b>TOTAL Mandatory Points</b>		<b>6.00</b>
<i>Compensatory (2)</i>	<i>Low-Income</i>	<i>1.00</i>
	<i>Underprepared</i>	<i>1.00</i>

<b>Region/Mission (4 max points)</b>	
STEM	up to 2
High Demand	up to 2
Workforce Training	up to 2
Transfer	up to 2
Adult	up to 2
Minority	up to 2
Employment	up to 2







Mandatory Measures			Detail
Measure	Definition		Detail
Remedial Course Success	The rate of remedial courses completed relative to remedial courses attempted.		This is an SCCH calculation of all successful grades in remedial courses divided by the total remedial SCCH attempted. The remedial course success rate is expressed as a percentage and changes over time are expressed as a difference in percentage points. Attempted hours based on 11th class day. Does not include Ds. The point earned for improvement is .50.
Non-remedial Course Success	The rate of non-remedial courses completed relative to non-remedial courses attempted.		This is an SCCH calculation of all successful grades in non-remedial courses divided by the total non-remedial attempted SCCH. The non-remedial course success rate is expressed as a percentage and changes over time are expressed as a difference in percentage points. Does not include remedial courses. Attempted hours based on 11th class day. Includes Ds. The point earned for
Progression	The rate of students that complete either 18 hours or a credential.		This measure utilizes a cohort of credential-seeking students enrolled in six or more hours during the fall or spring semester. This cohort is then tracked through the next two academic years to identify how many students in the cohort earned either 18 or more credit hours (including remedial courses) OR completed a credential (certificate of proficiency, technical certificate or any associate degree). The progression rate is expressed as a percentage and changes over time are expressed as a difference in percentage points. The point earned for improvement is 1.00.
Certificates of Proficiency	The number of certificates of proficiency awarded.		This is an overall headcount of all certificates of proficiency awarded by institution. This includes all certificates of proficiency approved by ADHE. Students earning more than one credential are counted each time. The point earned for improvement is .50.
Technical Certificates	The number of technical certificates awarded.		This is an overall headcount of all technical certificates awarded by institution. This includes all technical certificates approved by ADHE. Students earning more than one credential are counted each time. The point earned for improvement is .50.
Associate Degrees	The number of associate degrees awarded.		This is an overall headcount of all associate degrees awarded by institution. This includes all associate degrees approved by ADHE. Students earning more than one credential are counted each time. The point earned for improvement is 1.00.
Total Credentials	The rate of credentials awarded relative to enrollment.		This is a count of all credentials awarded by institution per 100 FTE. This includes all certificates of proficiency, technical certificates and associate degrees approved by ADHE. The total credentials rate is expressed as a percentage and changes over time are expressed as a difference in percentage points. Students earning more than one credential are counted each time. The points earned for improvement are 2.00.
Mandatory Compensatory Measures			Detail
Measure	Definition		Detail
Low-income	The number of low-income students relative to enrollment.		This is a headcount of low-income students divided by overall credential-seeking headcount. Low-income is defined as receiving Pell. Up to one compensatory point will be added to total mandatory points based on percentage of students who receive Pell. (Ex: 50% of students receive Pell = .50 compensatory point). Total mandatory points may not exceed six.
Under-prepared	The number of underprepared students relative to enrollment.		This is a headcount of underprepared students divided by overall credential-seeking headcount. Underprepared is defined as having an ACT of 15 or below, or equivalent score. Up to one compensatory point will be added to total mandatory points based on percentage of students who are underprepared. (Ex: 50% of students are underprepared = .50 compensatory point.) Total mandatory points may not exceed six.
Region/Mission Specific Measures			
Measure	Definition		Detail
STEM Credentials	The number of STEM credentials awarded.		This is an overall headcount of all certificates and degrees awarded by institution in the STEM CIP Codes. Based on most recent ICE list as published on www.ice.gov. Students earning more than one credential are counted each time. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
High Demand Credentials	The number of high demand credentials awarded.		This is an overall headcount of all certificates and degrees awarded by institution in the high demand CIP Codes. Based on most recent ADWS list as published on www.discoverarkansas.net. Students earning more than one credential are counted each time. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
Workforce Training	The number of workforce training contact hours reported.		Workforce Education/Training is defined as any postsecondary (primarily non-credit) education or training activity (seminar, workshop, course, customized training, etc.) that is specifically used for developing/enhancing the skills of existing employees or members of any business or industry, and any training provided to individuals, whether employed or unemployed, that is designed to meet the employment needs of the student and/or employer by enhancing occupational, technical, and/or soft (communication, computational, and interpersonal) skills. Workforce training contact hours are reported by colleges annually. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
Transfer	The number of students that transfer after completing a minimum of 12 hours.		This is an overall headcount of any student earning at least 12 hours at the "sending" institution that transfers to an Arkansas two-year college or four-year university. Includes remedial hours. The institution "sending" the student is counted. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
Adult Credentials	The number of credentials awarded to adults.		This is an overall headcount of adult students who complete a certificate of proficiency, technical certificate or associate degree (as defined above). Adult is defined as age 25 or older at time of completion. All credentials completed are counted. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
Minority Credentials	The number of credentials awarded to minorities.		This is an overall headcount of any credential completer reported as Asian, Black, Hispanic, American Indian/Alaska Native, or Hawaiian/Pacific Islander. Unknowns, Non-Resident Aliens, White and Other graduates are excluded. Graduate includes completion of certificate of proficiency, technical certificate, or associate degree (as defined above). All credentials completed are counted. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not exceed 4 points.
Employment	The number of credential completers that obtain employment.		*Working with Arkansas Department of Workforce Services on data. An institution may assign up to 2.00 points to this measure. Point(s) earned if number improves. Optional measures may not

**ECONOMIC FEASIBILITY OF LOAN ISSUE  
SOUTHERN ARKANSAS UNIVERSITY**

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Southern Arkansas University requests approval of the economic feasibility of plans to obtain two (2) loans not to exceed \$1,060,000 with a term of ten (10) years at an annual interest rate not to exceed 3.6 percent. Proceeds from the loan issues will be used for educational and general (E&G) and auxiliary purposes.

Southern Arkansas University Board of Trustees approved financing of an E&G issue at its meeting on March 9, 2017. The educational and general issue will be approximately \$500,000 with an annual debt service of \$59,332 and a term of ten (10) years. Proceeds from this loan will be used to construct a facility that will serve as the president's residence and official event's facility. The debt service on the loan issue will be supported by tuition and fee revenue. Coordinating Board policy regarding debt service for educational and general projects provides that a maximum of 25 percent of tuition and fee revenue, net of scholarship expense, may be pledged to educational and general debt service.

Relevant data follows:

**Educational and General Issue**

Budgeted 2016-17 Tuition and Fee Revenue.....	\$	18,974,564
Maximum Allowable Debt Service (\$18,974,564 X 25%)		4,743,641
Existing Debt Service.....		2,273,698
Proposed Debt Service .....		59,332
Amount Remaining for Additional Debt Service.....	\$	2,410,611

The above data demonstrates that Southern Arkansas University has sufficient tuition and fee revenue to obtain an E&G loan not to exceed \$500,000 with a term of ten (10) years at an estimated annual interest rate not to exceed 3.6 percent.

Southern Arkansas University Board of Trustees approved financing of an auxiliary issue at its meeting on March 11, 2017. The auxiliary issue will be approximately \$560,000 with an annual debt service of \$65,266 and a term of ten (10) years. The loan proceeds will be used to purchase an apartment complex previously leased by the university at an annual rate of \$103,398. The debt service on the loan issue will be supported by student housing revenue. Coordinating Board policy regarding debt service for auxiliary projects provides that annual auxiliary revenues should be no less than 120 percent of the total annual auxiliary debt service.

Relevant data follows:

**Auxiliary Issue**

Budgeted 2016-17 Auxiliary Revenue.....	\$ 6,804,365
Maximum Allowable Debt Service (\$6,804,365 / 120%)	5,670,304
Existing Debt Service.....	1,753,596
Proposed Debt Service .....	65,266
Amount Remaining for Additional Debt Service.....	\$ 3,851,442

The above data demonstrates that Southern Arkansas University has sufficient auxiliary revenue to obtain an auxiliary loan not to exceed \$560,000 with a term for ten (10) years at an estimated annual interest rate not to exceed 3.6 percent.

In accordance with board policy, any proceeds from loans that require AHECB approval, which are used for the purchase or construction of new facilities, and result in additional square footage are subject to the AHECB maintenance policy as adopted in October of 2010. Southern Arkansas University will sustain a building maintenance fund to be supported by tuition and fee revenue for the E&G facilities and by auxiliary revenues for the auxiliary facilities. These funds will be held in a separate account for the maintenance of the new facilities by transferring annually to plant funds based on the Association of Physical Plant Administrators (APPA) of Universities and Colleges recommendation. The current APPA recommendation is \$2.50 per gross square foot for E&G facilities and \$1.25 per gross square foot for auxiliary facilities.

The E&G issue will provide additional square footage of approximately 4,229 square feet, resulting in an annual transfer of \$10,573. The auxiliary issue will provide additional square footage of approximately 13,872 square feet, resulting in an annual transfer of \$17,340.

ADHE Executive Staff recommends that the Arkansas Higher Education Coordinating Board approve the following resolution:

**RESOLVED,** That the Arkansas Higher Education Coordinating Board considers economically feasible plans for Southern Arkansas University to obtain two (2) loans in an amount not to exceed \$1,060,000 with a term of ten (10) years at an estimated interest rate not to exceed 3.6 percent for E&G purposes to construct a facility that will serve as the president’s residence and official event’s facility. The auxiliary purposes will be to purchase an apartment complex that was previously leased by the university.

**FURTHER RESOLVED,** That the Director of the Arkansas Department of Higher Education is authorized to notify the President and the Chair of the Board of Trustees of Southern Arkansas University of the Coordinating Board’s resolution.

## **PRODUCTIVITY FUNDING POLICY TWO-YEAR COLLEGES**

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### **Background**

Act 148 of 2017 repealed the needs-based and outcome-centered funding formulas as prescribed in Arkansas Code § 6-61-210, Arkansas Code § 6-61-224, Arkansas Code § 6-61-228, Arkansas Code § 6-61-229, Arkansas Code § 6-61-230, and Arkansas Code § 6-61-233, and amended Arkansas Code § 6-61-234. The Act directs the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department 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 properly align institutional funding with statewide priorities for higher education by encouraging programs and services focused on student success and 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 embraced by institutions, employing appropriate productivity metrics, and aligned with goals and objectives for post-secondary attainment in our state.

A set of guiding principles, which is described below, is important to orient the design of a new funding model for public higher education institutions. These guiding principles allow the development of a productivity-based funding model which is student-centered and responsive to post-secondary attainment goals, while creating a funding context which enables innovation, increased efficiency and enhanced affordability.

### **Guiding Principles**

#### **Student-centered:**

- The model should place at its center students and student's needs including both access to and completion of meaningful and quality post-secondary learning.

#### **Outcomes:**

- The model should focus on completion, and particularly on completions of under-served and at-risk students and completions in areas of need by the state and industry. This structure should recognize differences in investment associated with meeting the evolving needs of students, the workforce, and the state.

#### **Collaboration:**

- The model should provide incentives for cross-institutional collaboration and reward the successful transition of students across institutions.

**Supporting institutional mission:**

- The model should respect and be responsive to the diverse set of missions represented by each public institution of higher education.

**Formula structure:**

- The model should maintain clarity and simplicity.

**Flexibility:**

- The model should be adaptable in the face of a dynamic institutional and external environment.

**Stability and transition:**

- The model should support short-, mid- and long-term financial stability of the public institutions of higher education, while focusing attention on outcomes and the goals of the state. The transition from the current funding formula to a productivity-based funding formula should allow for a managed and intentional transition process which mitigates negative impact at any one or group of institutions.

**Measures**

In addition to incorporating the guiding principles above, measures adopted in the productivity-based funding model should acknowledge the following priorities:

- Differences in institutional missions are recognized and encouraged.
- Completion of students' educational goals should be the most important priority of every institution.
- Progression toward completion recognizes that funding must follow the student.
- Affordability is encouraged through on-time completion, limiting excess credits, and efficient resource allocation.
- Collaboration is rewarded by encouraging successful transfer of students and reducing barriers to student success.
- Potential unintended consequence of raising academic requirements or lowering academic quality to increase completions must be discouraged.

The measures adopted relate to Effectiveness, Affordability and Efficiency. In addition, some adjustments to the model are necessary to respond to the unique missions of some institutions which cannot be captured in the productivity metrics.

Measures will be reviewed every five years to ensure that the model continues to respond to the needs and priorities of the state. A review more frequently than five years is impractical as institutions would not have opportunity to respond in a timely fashion. However, if it is determined that the measures adopted have created unintended consequences, those measures will be reviewed immediately.

**Productivity Measures**

**Summary of Measures**

The productivity funding formula consists of four categories: Effectiveness (80% of formula), Affordability (20% of formula), Adjustments, and Efficiency (+/-2% of formula). The metrics of the four categories are broken down below.

<b>Effectiveness</b>	<b>Affordability</b>	<b>Adjustment</b>	<b>Efficiency</b>
<ul style="list-style-type: none"> <li>• Credentials</li> <li>• Progression</li> <li>• Transfer Success</li> <li>• Gateway Course Success</li> <li>• Non-Credit Workforce Training</li> <li>• Post-Completion Success</li> </ul>	<ul style="list-style-type: none"> <li>• Time to Degree</li> <li>• Credits at Completion</li> </ul>	<ul style="list-style-type: none"> <li>• Research (4-year only)</li> <li>• Diseconomies of Scale (2-year only)</li> </ul>	<ul style="list-style-type: none"> <li>• Core Expense Ratio</li> <li>• Faculty to Administrator Salary Ratio</li> </ul>

At this time, Non-credit Workforce Training and Post-Completion Success are not included in the formula but will be metrics under the effectiveness category when adequate data is available.

Each metric is calculated using a three-year average based on the most recent academic year data that is available. Institutions will receive points in the productivity model according to the requirements of each metric. Points for each institution will be totaled and applied according to the weighting assigned to each metric in the effectiveness and affordability categories. Once the points for the effectiveness and affordability measures are totaled, adjustments based on research activities for universities and diseconomies of scale for two-year colleges will be applied. Finally, the efficiency category will be applied against the adjusted total. The final total of points will become the institution’s Productivity Index.

**Effectiveness Category**

**Credentials**

The primary measure of effectiveness emphasizes students completing credentials that meet their educational goals and meet workforce needs of the state. The importance of credentials at each educational level are recognized. In addition, the unique characteristics of students are measured to recognize the additional resource needs of institutions which serve students’ needs.



Characteristics include underserved race and ethnicity, underserved income, age, and underserved academic.

The Credentials metric is weighted at forty percent (40%) of the effectiveness category. This metric includes the average of the number of credentials awarded over the most recent three academic years, with consideration given to credentials earned by students who contribute to closing the attainment gap of underserved populations in Arkansas, as well as credentials that will help meet state workforce needs.

The Credentials metric includes the number of credentials earned in all degree levels: Certificate of Proficiency, Technical Certificate, Advanced Certificate, and Associate Degree. Designated weights are applied to each level of credential. All credentials earned in Science, Technology, Engineering and Math (STEM) and High Demand fields receive additional weights. Credentials earned by students who are underserved in the areas of race/ethnicity, income, academic preparedness and age will receive additional weight.

Weighting Specifications – Degree Level

Certificate of Proficiency	1.0
Technical Certificate	2.0
Advanced Certificate	2.0
Associate Degree	3.0

Weighting Specifications – Degree Type

STEM Credentials	3.0
High Demand Credentials	1.5
All Other Credentials	1.0

Weighting Specifications – Student Characteristics

	Undergrad Level	Graduate Level
All Students	1.00	1.00
Underserved Race/Ethnicity	0.29	0.29
Underserved Income	0.29	N/A
Underserved Academic	0.29	N/A
Adult (25 to 54)	0.29	N/A

**Progression**

For programs requiring more than one semester to complete, progression toward a credential must be measured. A student’s progression towards a degree will be recognized. In addition, the unique characteristics of students should be measured to recognize the additional resource needs of institutions which serve

students' needs. Characteristics include underserved race and ethnicity, underserved income, age, and underserved academic. The Progression Metric is weighted at thirty percent (30%) of the effectiveness category. The metric includes the average number of progression goals met by undergraduate students at the accumulation of 15 hours, 30 hours, and 45 hours over the most recent three academic years. Consideration is given to progression goals met by students who contribute to closing the attainment gap of underserved populations in Arkansas.

**Weighting Specifications – Student Characteristics**

All Students	1.00
Underserved Race	0.29
Underserved Income	0.29
Underserved Academic	0.29
Adult (25 to 54)	0.29

**Transfer**

Many students begin their post-secondary work at a community college before transferring to a university to complete a bachelor's degree. The efficient and effective transfer of these students should be measured to encourage collaboration among institutions.

The Transfer Metric is weighted at fifteen percent (15%) of the effectiveness category. The metric includes the average of the number of students over the most recent three academic years who transfer successfully from a 2-year to a 4-year institution with an Associate degree or with at least 30 earned hours of Arkansas Course Transfer System (ACTS) courses in an effort to encourage student success and institutional collaboration. Students who have received an Associate degree will be assigned additional weighting.

**Weighting Specifications – Transfer Students**

30 Hours of ACTS courses	1.00
Associates	1.25

**Gateway Course Success**

Gateway courses in math, English and reading-intensive courses in the humanities and social sciences are a first indicator of likely student success. This is particularly important for students who are underprepared for college-level course work. In addition, the unique characteristics of students should be measured to recognize the additional resource needs of institutions which serve these students. The designated characteristic for this metric includes underserved academic.

The Gateway Course Success Metric is weighted at fifteen percent (15%) of the effectiveness category. The metric includes the average of the number of successfully completed gateway courses by academically prepared and academically underserved students over the most recent three academic years. The metric recognizes the completion of math, English and reading gateway courses by students with a grade of A, B, or C. Gateway courses completed by academically underserved students will receive additional weighting.

**Weighting Specifications – Gateway Course Success**

Placement in Remedial Course	3.00
No Placement in Remedial Course	1.00

**Affordability Category**

**Time to Degree**

Affordability of a credential is impacted by the length of time it takes a student to earn a credential. Measures should encourage students to complete credentials on time; generally, two years for an associate’s degree.

The Time to Degree metric is weighted at fifty percent (50%) of the affordability category. The metric includes the average of the number of students who graduated within the recommended timeframe for Associate degrees over the most recent three academic years. On time is defined as 24 months for Associate degrees. The metric also recognizes students who complete their degree within twenty-five percent (25%) of on-time completion (up to 30 months for Associate degrees) and within fifty percent (50%) of on-time completion (up to 36 months for Associate degrees).

**Weighting Specifications – Time to Degree**

On-Time Completion	1.0
Within 25% of On-Time Completion	0.875
Within 50% of On-Time Completion	0.4

**Credits at Completion**

Similar to time to degree, measuring the affordability of a credential also includes measuring the number of credit hours a student completes toward that credential. Students whose credit hour accumulation is at or near the minimum number required for a credential pay less in tuition and fees; thus, making the credential more affordable.

The Credits at Completion metric is weighted at fifty percent (50%) of the affordability category. The metric includes the average of the number of students who graduated within the scheduled number of credits completed for Associate degrees over the most recent three academic years. On Schedule is defined as

60 credit hours for Associate degrees. The metric also recognizes students who complete their degree within ten percent (10%) of on schedule completion (up to 66 credit hours for Associate degrees) and within twenty-five percent (25%) of on schedule completion (up to 75 credit hours for Associate degrees).

**Weighting Specifications – Credits at Completion**

On Schedule	1.00
Within 10% of On Schedule Completion	0.875
Within 25% of On Schedule Completion	0.4

**Diseconomies of Scale Adjustment**

**Diseconomies of Scale**

Some institutions in the state serve rural areas with insufficient populations to support large enrollments. Adjustments should be included to acknowledge this unique aspect of mission.

The diseconomies of scale adjustment will be recognized by adjusting the productivity index score of an institution that falls into a specified student enrollment size range. The range is based on the average three-year enrollment for two-year colleges.

**Weighting Specifications – Diseconomies of Scale**

Enrollment Breaks	Adjustment
Between 0.01% Below Average and 15% Below Average	3%
Between 15.01% Below Average and 30% Below Average	4%
30.01% Below Average or More	5%

**Efficiency Category**

**Core Expense Ratio**

This measure is intended to encourage resource allocations which maximize spending in areas that directly impact student success and achievement of institutional mission.

The Core Expenses Ratio is weighted at fifty percent (50%) of the efficiency category. The ratio measures the expenditures on the core functions of an institution compared to the expenditures for institutional support and how the ratio compares to an institution’s Southern Regional Education Board (SREB) institution peer group.

The Core Expense Ratio is equal to the sum of Instruction Expenditures, Academic Support Expenditures, Student Services Expenditures, Public Service Expenditures and Research Expenditures on a per full-time equivalent (FTE) basis divided by the Institutional Support Expenditures per FTE. Data for these expenditure elements are reported to and published by the Integrated Postsecondary Education Data System (IPEDS).

The adjustment for each institution is calculated by finding the percentage deviation of the Core Expense Ratio of each institution compared to the SREB Average Core Expense Ratio for their peer group. The resulting percentage is assigned an efficiency adjustment as described in the chart below.

**Weighting Specifications – Core Expense Ratio**

% Deviation of ration from SREB Peer Group	% Change to Productivity Index score
Below -20.01%	-2.0%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1.0%
-5.01% to -10%	-0.5%
-5% to 5%	0.0%
5.01% to 10%	0.5%
10.01% to 15%	1.0%
15.01% to 20%	1.5%
Above 20%	2.0%

**Faculty to Administrator Salary Ratio**

This measure is intended to encourage efficient use of administrative positions to support institutional mission.

The Faculty to Administrator Salary Ratio is weighted at fifty percent (50%) of the efficiency category. The ratio measures the expenditures on faculty salaries compared to the expenditures on institutional support salaries and how the ratio compares to an institution’s Southern Regional Education Board (SREB) institution peer group.

The Faculty to Administrator Salary Ratio is equal to Instruction Salaries & Wages per FTE divided by the Institutional Support Salaries & Wages per FTE. Data for these expenditure elements are reported to and published by the Integrated Postsecondary Education Data System (IPEDS).

The adjustment for each institution is calculated by finding the percentage deviation of the Faculty to Administrator Salary Ratio of each institution compared to the SREB Average Faculty to Administrator Salary Ratio for their

peer group. The resulting percentage is assigned an efficiency adjustment as described in the chart below.

Weighting Specifications – Faculty to Administrator Salary Ratio

% Deviation of ration from SREB Peer Group	% Change to Productivity Index score
Below -20.01%	-2.0%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1.0%
-5.01% to -10%	-0.5%
-5% to 5%	0.0%
5.01% to 10%	0.5%
10.01% to 15%	1.0%
15.01% to 20%	1.5%
Above 20%	2.0%

## **PRODUCTIVITY FUNDING POLICY UNIVERSITIES**

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### **Background**

Act 148 of 2017 repealed the needs-based and outcome-centered funding formulas as prescribed in Arkansas Code § 6-61-210, Arkansas Code § 6-61-224, Arkansas Code § 6-61-228, Arkansas Code § 6-61-229, Arkansas Code § 6-61-230, and Arkansas Code § 6-61-233, and amended Arkansas Code § 6-61-234. The Act directs the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department 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 properly align institutional funding with statewide priorities for higher education by encouraging programs and services focused on student success and 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 embraced by institutions, employing appropriate productivity metrics, and aligned with goals and objectives for post-secondary attainment in our state.

A set of guiding principles, which is described below, is important to orient the design of a new funding model for public higher education institutions. These guiding principles allow the development of a productivity-based funding model which is student-centered and responsive to post-secondary attainment goals, while creating a funding context which enables innovation, increased efficiency and enhanced affordability.

### **Guiding Principles**

#### **Student-centered:**

- The model should place at its center students and students' needs including both access to and completion of meaningful and quality post-secondary learning.

#### **Outcomes:**

- The model should focus on completion, and particularly on completions of under-served and at-risk students and completions in areas of need by the state and industry. This structure should recognize differences in investment associated with meeting the evolving needs of students, the workforce, and the state.

#### **Collaboration:**

- The model should provide incentives for cross-institutional collaboration and reward the successful transition of students across institutions.

**Supporting institutional mission:**

- The model should respect and be responsive to the diverse set of missions represented by each public institution of higher education.

**Formula structure:**

- The model should maintain clarity and simplicity.

**Flexibility:**

- The model should be adaptable in the face of a dynamic institutional and external environment.

**Stability and transition:**

- The model should support short-, mid- and long-term financial stability of the public institutions of higher education, while focusing attention on outcomes and the goals of the state. The transition from the current funding formula to a productivity-based funding formula should allow for a managed and intentional transition process which mitigates negative impact at any one or group of institutions.

**Measures**

In addition to incorporating the guiding principles above, measures adopted in the productivity-based funding model should acknowledge the following priorities:

- Differences in institutional missions are recognized and encouraged.
- Completion of students' educational goals should be the most important priority of every institution.
- Progression toward completion recognizes that funding must follow the student.
- Affordability is encouraged through on-time completion, limiting excess credits, and efficient resource allocation.
- Collaboration is rewarded by encouraging successful transfer of students and reducing barriers to student success.
- Potential unintended consequence of raising academic requirements or lowering academic quality to increase completions must be discouraged.

The measures adopted relate to Effectiveness, Affordability and Efficiency. In addition, some adjustments to the model are necessary to respond to the unique missions of some institutions which cannot be captured in the productivity metrics.

Measures will be reviewed every five years to ensure that the model continues to respond to the needs and priorities of the state. A review more frequently than five years is impractical as institutions would not have opportunity to respond in a timely fashion. However, if it is determined that the measures adopted have created unintended consequences, those measures will be reviewed immediately.



**Productivity Measures**

**Summary of Measures**

The productivity funding formula consists of four categories: Effectiveness (80% of formula), Affordability (20% of formula), Adjustments, and Efficiency (+/-2% of formula). The metrics of the four categories are broken down below.

<b>Effectiveness</b>	<b>Affordability</b>	<b>Adjustment</b>	<b>Efficiency</b>
<ul style="list-style-type: none"> <li>• Credentials</li> <li>• Progression</li> <li>• Transfer Success</li> <li>• Gateway Course Success</li> <li>• Non-Credit Workforce Training</li> <li>• Post-Completion Success</li> </ul>	<ul style="list-style-type: none"> <li>• Time to Degree</li> <li>• Credits at Completion</li> </ul>	<ul style="list-style-type: none"> <li>• Research (4-year only)</li> <li>• Diseconomies of Scale (2-year only)</li> </ul>	<ul style="list-style-type: none"> <li>• Core Expense Ratio</li> <li>• Faculty to Administrator Salary Ratio</li> </ul>

At this time, Non-credit Workforce Training and Post-Completion Success are not included in the formula but will be metrics under the effectiveness category when adequate data is available.

Each metric is calculated using a three-year average based on the most recent academic year data that is available. Institutions will receive points in the productivity model according to the requirements of each metric. Points for each institution will be totaled and applied according to the weighting assigned to each metric in the effectiveness and affordability categories. Once the points for the effectiveness and affordability measures are totaled, adjustments based on research activities for universities and diseconomies of scale for two-year colleges will be applied. Finally, the efficiency category will be applied against the adjusted total. The final total of points will become the institution’s Productivity Index.

**Effectiveness Category**

**Credentials**

The primary measure of effectiveness emphasizes students completing credentials that meet their educational goals and meet workforce needs of the state. The importance of credentials at each educational level are recognized. In addition, the unique characteristics of students are measured to recognize the additional resource needs of institutions which serve students’ needs.

Characteristics include underserved race and ethnicity, underserved income, age, and underserved academic.

The Credentials metric is weighted at forty percent (40%) of the effectiveness category. This metric includes the average of the number of credentials awarded over the most recent three academic years, with consideration given to credentials earned by students who contribute to closing the attainment gap of underserved populations in Arkansas, as well as credentials that will help meet state workforce needs.

The Credentials metric includes the number of credentials earned in all degree levels: Certificate of Proficiency, Technical Certificate, Associate Degree, Advanced Certificate, Bachelor’s Degree, Post-Baccalaureate Certificate, Master’s Degree, Post-Master’s Certificate, Specialist, and Doctoral Degree. Designated weights are applied to each level of credential. All credentials earned in Science, Technology, Engineering and Math (STEM) and High Demand fields receive additional weights. Credentials earned by students who are underserved in the areas of race/ethnicity, income, academic preparedness and age will receive additional weight. Degrees and certificates above the Bachelor’s level will only receive additional weight for underserved race/ethnicity.

Weighting Specifications – Degree Level

Certificate of Proficiency	0.5
Technical Certificate	1.0
Advanced Certificate, Post-Baccalaureate Certificate, Post-Master’s Certificate, Specialist, or Post-First Professional Certificate or Degree	1.0
Associate Degree	2.0
Bachelor Degree	4.0
Master Degree	5.0
Doctoral Degree	6.0

Weighting Specifications – Degree Type

STEM Credentials	3.0
High Demand Credentials	1.5
All Other Credentials	1.0

Weighting Specifications – Student Characteristics

	Undergrad Level	Graduate Level
All Students	1.00	1.00
Underserved Race/Ethnicity	0.29	0.29
Underserved Income	0.29	N/A
Underserved Academic	0.29	N/A
Adult (25 to 54)	0.29	N/A

**Progression**

For programs requiring more than one semester to complete, progression toward a credential must be measured. A student’s progression towards a degree will be recognized. In addition, the unique characteristics of students should be measured to recognize the additional resource needs of institutions which serve students’ needs. Characteristics include underserved race and ethnicity, underserved income, age, and underserved academic.

The Progression Metric is weighted at thirty percent (30%) of the effectiveness category. The metric includes the average number of progression goals met by undergraduate students at the accumulation of 15 hours, 30 hours, 45 hours, 60 hours, and 90 hours over the most recent three academic years. Consideration is given to progression goals met by students who contribute to closing the attainment gap of underserved populations in Arkansas.

**Weighting Specifications – Student Characteristics**

All Students	1.00
Underserved Race	0.29
Underserved Income	0.29
Underserved Academic	0.29
Adult (25 to 54)	0.29

**Transfer**

Many students begin their post-secondary work at a community college before transferring to a university to complete a bachelor’s degree. The efficient and effective transfer of these students should be measured to encourage collaboration among institutions.

The Transfer Metric is weighted at fifteen percent (15%) of the effectiveness category. The metric includes the average of the number of students over the most recent three academic years who earn a Bachelor’s degree that transferred from a 2-year to a 4-year institutions in an effort to encourage student success and institutional collaboration.

**Weighting Specifications – Transfer Students**

Completed Bachelor’s Degree	1.0
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**Gateway Course Success**

Gateway courses in math, English and reading-intensive courses in the humanities and social sciences are a first indicator of likely student success. This is particularly important for students who are underprepared for college-level course work. In addition, the unique characteristics of students should be measured to recognize the additional resource needs of institutions which serve

these students. The designated characteristic for this metric includes underserved academic.

The Gateway Course Success Metric is weighted at fifteen percent (15%) of the effectiveness category. The metric includes the average of the number of successfully completed gateway courses by academically prepared and academically underserved students over the most recent three academic years. The metric recognizes the completion of math, English and reading gateway courses by students with a grade of A, B, or C. Gateway courses completed by academically underserved students will receive additional weighting.

**Weighting Specifications – Gateway Course Success**

Placement in Remedial Course	3.00
No Placement in Remedial Course	1.00

**Affordability Category**

**Time to Degree**

Affordability of a credential is impacted by the length of time it takes a student to earn a credential. Measures should encourage students to complete credentials on time; generally, two years for an associate’s degree and four years for a bachelor’s degree.

The Time to Degree metric is weighted at fifty percent (50%) of the affordability category. The metric includes the average of the number of students who graduated within the recommended timeframe for Associate and Bachelor’s degrees over the most recent three academic years. On time is defined as 24 months for Associate degrees and 48 months for Bachelor’s degrees. The metric also recognizes students who complete their degree within twenty-five percent (25%) of on-time completion (up to 30 months for Associate degrees; up to 60 months for Bachelor’s degree) and within fifty percent (50%) of on-time completion (up to 36 months for Associate degrees; up to 72 months for Bachelor’s degree).

**Weighting Specifications – Time to Degree**

On-Time Completion	1.0
Within 25% of On-Time Completion	0.875
Within 50% of On-Time Completion	0.4

**Credits at Completion**

Similar to time to degree, measuring the affordability of a credential also includes measuring the number of credit hours a student completes toward that credential. Students whose credit hour accumulation is at or near the minimum number required for a credential pay less in tuition and fees; thus, making the credential more affordable.

The Credits at Completion metric is weighted at fifty percent (50%) of the affordability category. The metric includes the average of the number of students who graduated within the scheduled number of credits completed for Associate and Bachelor’s degrees over the most recent three academic years. On Schedule is defined as 60 credit hours for Associate degrees and 120 credit hours for Bachelor’s degrees. The metric also recognizes students who complete their degree within ten percent (10%) of on schedule completion (up to 66 credit hours for Associate degrees; up to 132 credit hours for Bachelor’s degrees) and within twenty-five percent (25%) of on schedule completion (up to 75 credit hours for Associate degrees; up to 150 credit hours for Bachelor’s degrees).

**Weighting Specifications – Credits at Completion**

On Schedule	1.00
Within 10% of On Schedule Completion	0.875
Within 25% of On Schedule Completion	0.4

**Research Adjustment**

**Research**

One unique mission of some public universities that is not adequately captured in productivity measures is research and should be included as an adjustment to appropriate institutions. Research is essential to the discovery of new knowledge, innovation, entrepreneurship, and societal, health, and economic development advancements.

The research adjustment will be recognized by adjusting the productivity index score of an institution by the three-year average percentage of expenditures on research. This applies only to institutions with a research mission that spend more than 5% of all expenditures on research activities.

**Weighting Specifications – Research Adjustment**

Research Expenditures/Total Expenditures	Adjustment %
For institutions whose research expenditures exceed 5% of total expenditures. (Based on 3-year average)	Actual % of Research Expenditures

**Efficiency Category**

**Core Expense Ratio**

This measure is intended to encourage resource allocations which maximize spending in areas that directly impact student success and achievement of institutional mission.

The Core Expenses Ratio is weighted at fifty percent (50%) of the efficiency category. The ratio measures the expenditures on the core functions of an institution compared to the expenditures for institutional support and how the ratio compares to an institution’s Southern Regional Education Board (SREB) institution peer group.

The Core Expense Ratio is equal to the sum of Instruction Expenditures, Academic Support Expenditures, Student Services Expenditures, Public Service Expenditures and Research Expenditures on a per full-time equivalent (FTE) basis divided by the Institutional Support Expenditures per FTE. Data for these expenditure elements are reported to and published by the Integrated Postsecondary Education Data System (IPEDS).

The adjustment for each institution is calculated by finding the percentage deviation of the Core Expense Ratio of each institution compared to the SREB Average Core Expense Ratio for their peer group. The resulting percentage is assigned an efficiency adjustment as described in the chart below.

**Weighting Specifications – Core Expense Ratio**

% Deviation of ration from SREB Peer Group	% Change to Productivity Index score
Below -20.01%	-2.0%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1.0%
-5.01% to -10%	-0.5%
-5% to 5%	0.0%
5.01% to 10%	0.5%
10.01% to 15%	1.0%
15.01% to 20%	1.5%
Above 20%	2.0%

**Faculty to Administrator Salary Ratio**

This measure is intended to encourage efficient use of administrative positions to support institutional mission.

The Faculty to Administrator Salary Ratio is weighted at fifty percent (50%) of the efficiency category. The ratio measures the expenditures on faculty salaries compared to the expenditures on institutional support salaries and how the ratio compares to an institution’s Southern Regional Education Board (SREB) institution peer group.

The Faculty to Administrator Salary Ratio is equal to Instruction Salaries & Wages per FTE divided by the Institutional Support Salaries & Wages per FTE. Data for these expenditure elements are reported to and published by the Integrated Postsecondary Education Data System (IPEDS).

The adjustment for each institution is calculated by finding the percentage deviation of the Faculty to Administrator Salary Ratio of each institution compared to the SREB Average Faculty to Administrator Salary Ratio for their peer group. The resulting percentage is assigned an efficiency adjustment as described in the chart below.

Weighting Specifications – Faculty to Administrator Salary Ration

% Deviation of ration from SREB Peer Group	% Change to Productivity Index score
Below -20.01%	-2.0%
-15.01% to -20%	-1.5%
-10.01% to -15%	-1.0%
-5.01% to -10%	-0.5%
-5% to 5%	0.0%
5.01% to 10%	0.5%
10.01% to 15%	1.0%
15.01% to 20%	1.5%
Above 20%	2.0%