

Arkansas Division of Higher Education

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

Fiscal Year 2024-2025



Institutional Finance

December 2023

Arkansas Division of Higher Education
101 Capitol Avenue, Suite 300 Little Rock, AR 72201

RECOMMENDATION FOR DISTRIBUTION OF PRODUCTIVITY FUNDING FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION 2024-25 FISCAL YEAR

Background

A.C.A. §6-61-234 directs the Arkansas Higher Education Coordinating Board (AHECB) to adopt policies 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. 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 have reviewed justification requests submitted by the non-formula entities and funding recommendations for Fiscal Year 2024-25 based upon those requests are presented later in this agenda.

Productivity Funding Distribution Recommendations for the 2024-25 Fiscal Year

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

The two-year college and university productivity funding models have been calculated using academic year 2020 through academic year 2022 student data as well as academic year 2019 through academic year 2021 expenditure data reported to and published by the Integrated Postsecondary Education Data System (IPEDS). The productivity funding model calculations represent a total productivity decrease of

(0.14%) for two-year colleges and universities. This (0.14%) supports the recommendation for state funding of those institutions of higher education of \$588,582,614 in 2024-25, which is an overall flat request from FY2023-24.

As part of the productivity funding formula 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 FY2025 is \$4,555,985. With the overall productivity displaying a decrease, these incentive funds will not be distributed to individual institutions, but instead will be recommended for utilization by the Division of Higher Education for statewide purposes.

For the **universities**, a net 0% change in funding is recommended for those institutions with productivity increases for a total change in university funding of \$0. This is also the fifth year that institutions with productivity declines will have an amount reduced and then reallocated to the institutions who showed an increase. \$4,236,833 was reallocated from 9 institutions to the other 1 university.

For the **two-year colleges**, a net 0% change in funding is recommended for those institutions with productivity increases for a total change in two-year college funding of \$0. \$950,314 was reallocated from 7 institutions to 11 other two-year colleges. 4 of the two-year colleges hit the 5% stop-loss level for the FY2024-2025 recommendation. This resulted in the overall amount of reallocation dollars being reduced to ensure those 4 institutions do not lose more than 5% of their FY2019-20 funding for the upcoming fiscal year per the current distribution policy. This is shown in the data in Table C.

This distribution recommendation results in a total request for new general revenue funds of \$0.

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 2024-25 fiscal year as included in Table A.

FURTHER RESOLVED, That the Commissioner of the Arkansas Division of Higher Education is authorized to prepare appropriate documents for transmission to the Governor and the General Assembly of the 2024-25 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 Commissioner 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 7 - Productivity Funding Distribution

| | | | |
|-------------------------------|----------------|----------|-----|
| Productivity Index for FY2025 | -0.14% | | |
| | Universities | Colleges | |
| FY2025 RSA Forecast | \$ 584,026,629 | 75% | 25% |
| Productivity Recommendation | \$ - | - | - |

| | | |
|------------|-------------|---------------------|
| | NEW FUNDING | REALLOCATED FUNDING |
| University | \$ - | \$ 4,236,833 |
| College | \$ - | \$ 950,314 |
| TOTAL | \$ - | \$ 5,187,147 |

| | |
|--------------------------------|------|
| SOURCES OF NEW FUNDING | |
| State Contribution | \$ - |
| Incentive Funding Contribution | \$ - |
| Total | \$ - |

| | |
|---|--------------|
| FUNDING TO BE USED FOR STATEWIDE PURPOSES | |
| State Contribution | \$ - |
| Incentive Funding Contribution | \$ 4,555,985 |
| Total | \$ 4,555,985 |

| | |
|------------------------------|-------|
| Year 6 Reallocation Loss Cap | 2.00% |
| Year 6 Cap on RSA Increase | 2.00% |

| Institution | NEW GENERAL REVENUE FUNDING | | | | PRODUCTIVITY REALLOCATION | | | | RECOMMENDATION | | | | | | | |
|---------------|-----------------------------|--------------------------|-----------------|--------------------------------|---|--|-----------------------------|---|--|----------------------------|-------------------------------------|-------------------------------|-------------------------|----------|-------------------------------|-------------------|
| | RSA ONLY Funding FY2024 | FY2024 Incentive Funding | FY2025 Base RSA | % Change in Productivity Index | 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 2024-2025 | Total Change in Funding | % Change | RSA Increase (Capped at 2.0%) | Incentive Funding |
| ASUJ | \$ 59,689,978 | \$ - | \$ 59,689,978 | -0.65% | - | 0.00% | - | - | 0.00% | \$ 390,716 | \$ (390,716) | \$ 59,299,262 | \$ (390,716) | -0.65% | \$ - | \$ - |
| ATU | \$ 37,098,010 | \$ - | \$ 37,098,010 | -3.71% | - | 0.00% | - | - | 0.00% | \$ 741,960 | \$ (741,960) | \$ 36,356,050 | \$ (741,960) | -2.00% | \$ - | \$ - |
| HSU | \$ 19,133,799 | \$ - | \$ 19,133,799 | -3.69% | - | 0.00% | - | - | 0.00% | \$ 382,676 | \$ (382,676) | \$ 18,751,123 | \$ (382,676) | -2.00% | \$ - | \$ - |
| SAUM | \$ 16,933,028 | \$ - | \$ 16,933,028 | -0.42% | - | 0.00% | - | - | 0.00% | \$ 71,151 | \$ (71,151) | \$ 16,861,877 | \$ (71,151) | -0.42% | \$ - | \$ - |
| UAF | \$ 134,196,542 | \$ 3,849,365 | \$ 130,347,177 | 4.24% | 2,925 | 100.00% | - | 2,925 | 100.00% | \$ - | \$ 4,236,833 | \$ 134,584,010 | \$ 4,236,833 | 3.25% | \$ 2,606,944 | \$ 1,629,889 |
| UAFS | \$ 21,475,331 | \$ - | \$ 21,475,331 | -5.07% | - | 0.00% | - | - | 0.00% | \$ 429,507 | \$ (429,507) | \$ 21,045,824 | \$ (429,507) | -2.00% | \$ - | \$ - |
| UALR | \$ 56,512,398 | \$ - | \$ 56,512,398 | -0.96% | - | 0.00% | - | - | 0.00% | \$ 539,714 | \$ (539,714) | \$ 55,972,684 | \$ (539,714) | -0.96% | \$ - | \$ - |
| UAM | \$ 17,037,500 | \$ - | \$ 17,037,500 | -2.49% | - | 0.00% | - | - | 0.00% | \$ 340,750 | \$ (340,750) | \$ 16,696,750 | \$ (340,750) | -2.00% | \$ - | \$ - |
| UAPB | \$ 22,398,055 | \$ - | \$ 22,398,055 | -6.89% | - | 0.00% | - | - | 0.00% | \$ 447,961 | \$ (447,961) | \$ 21,950,094 | \$ (447,961) | -2.00% | \$ - | \$ - |
| UCA | \$ 56,905,617 | \$ - | \$ 56,905,617 | -1.57% | - | 0.00% | - | - | 0.00% | \$ 892,398 | \$ (892,398) | \$ 56,013,219 | \$ (892,398) | -1.57% | \$ - | \$ - |
| 4YR SUBTOTAL | 441,380,258 | 3,849,365 | 437,530,893 | -0.18% | 2,925 | 100% | - | 2,925 | 100% | \$ 4,236,833 | \$ - | 437,530,893 | \$ - | 0.00% | \$ 2,606,944 | \$ 1,629,889 |
| ANC | \$ 8,944,734 | \$ - | \$ 8,944,734 | -2.35% | - | 0.00% | - | - | 0.00% | \$ 178,895 | \$ (178,895) | \$ 8,765,839 | \$ (178,895) | -2.00% | \$ - | \$ - |
| ASUB* | \$ 11,356,380 | \$ - | \$ 11,356,380 | -8.15% | - | 0.00% | - | - | 0.00% | \$ 0 | \$ (0) | \$ 11,356,380 | \$ (0) | 0.00% | \$ - | \$ - |
| ASUMH | \$ 3,558,951 | \$ - | \$ 3,558,951 | 8.68% | 307 | 14.41% | - | 307 | 14.41% | \$ - | \$ 136,903 | \$ 3,695,854 | \$ 136,903 | 3.85% | \$ 71,179 | \$ 65,724 |
| ASUMS | \$ 4,132,171 | \$ 36,563 | \$ 4,095,608 | -3.17% | - | 0.00% | - | - | 0.00% | \$ 81,912 | \$ (81,912) | \$ 4,013,696 | \$ (81,912) | -2.00% | \$ - | \$ - |
| ASUN | \$ 6,550,910 | \$ - | \$ 6,550,910 | 0.30% | 20 | 0.94% | - | 20 | 0.94% | \$ - | \$ 8,902 | \$ 6,559,812 | \$ 8,902 | 0.14% | \$ 8,902 | \$ - |
| ASUTR* | \$ 3,381,360 | \$ - | \$ 3,381,360 | -2.39% | - | 0.00% | - | - | 0.00% | \$ 0 | \$ (0) | \$ 3,381,360 | \$ (0) | 0.00% | \$ - | \$ - |
| BRTC | \$ 5,955,612 | \$ 31,614 | \$ 5,923,998 | 22.10% | 892 | 41.81% | - | 892 | 41.81% | \$ - | \$ 397,308 | \$ 6,321,306 | \$ 397,308 | 6.71% | \$ 118,480 | \$ 278,828 |
| CCCUA | \$ 3,783,425 | \$ 94,625 | \$ 3,688,800 | 3.74% | 154 | 7.24% | - | 154 | 7.24% | \$ - | \$ 68,778 | \$ 3,757,578 | \$ 68,778 | 1.86% | \$ 68,778 | \$ - |
| EACC | \$ 8,801,435 | \$ 52,514 | \$ 8,748,921 | 0.04% | 1 | 0.06% | - | 1 | 0.06% | \$ - | \$ 568 | \$ 8,749,489 | \$ 568 | 0.01% | \$ 568 | \$ - |
| NAC* | \$ 7,605,726 | \$ - | \$ 7,605,726 | -4.75% | - | 0.00% | - | - | 0.00% | \$ 0 | \$ (0) | \$ 7,605,726 | \$ (0) | 0.00% | \$ - | \$ - |
| NPC | \$ 9,225,070 | \$ - | \$ 9,225,070 | -2.80% | - | 0.00% | - | - | 0.00% | \$ 184,501 | \$ (184,501) | \$ 9,040,569 | \$ (184,501) | -2.00% | \$ - | \$ - |
| NWACC | \$ 11,646,737 | \$ - | \$ 11,646,737 | 0.04% | 7 | 0.31% | - | 7 | 0.31% | \$ - | \$ 2,942 | \$ 11,649,679 | \$ 2,942 | 0.03% | \$ 2,942 | \$ - |
| OZC | \$ 3,411,991 | \$ 176,599 | \$ 3,235,392 | 0.84% | 29 | 1.36% | - | 29 | 1.36% | \$ - | \$ 12,892 | \$ 3,248,284 | \$ 12,892 | 0.40% | \$ 12,892 | \$ - |
| PCCUA | \$ 9,105,931 | \$ - | \$ 9,105,931 | -5.26% | - | 0.00% | - | - | 0.00% | \$ 182,119 | \$ (182,119) | \$ 8,923,812 | \$ (182,119) | -2.00% | \$ - | \$ - |
| SACC | \$ 6,208,533 | \$ - | \$ 6,208,533 | -3.11% | - | 0.00% | - | - | 0.00% | \$ 124,171 | \$ (124,171) | \$ 6,084,362 | \$ (124,171) | -2.00% | \$ - | \$ - |
| SAUT | \$ 5,457,310 | \$ - | \$ 5,457,310 | 4.59% | 165 | 7.74% | - | 165 | 7.74% | \$ - | \$ 73,558 | \$ 5,530,868 | \$ 73,558 | 1.35% | \$ 73,558 | \$ - |
| SEAC* | \$ 5,354,958 | \$ - | \$ 5,354,958 | -3.58% | - | 0.00% | - | - | 0.00% | \$ 0 | \$ (0) | \$ 5,354,958 | \$ (0) | 0.00% | \$ - | \$ - |
| UACCB | \$ 4,577,437 | \$ 215,794 | \$ 4,361,643 | 2.61% | 101 | 4.73% | - | 101 | 4.73% | \$ - | \$ 44,954 | \$ 4,406,597 | \$ 44,954 | 1.03% | \$ 44,954 | \$ - |
| UACCHT | \$ 4,742,486 | \$ - | \$ 4,742,486 | -5.46% | - | 0.00% | - | - | 0.00% | \$ 94,850 | \$ (94,850) | \$ 4,647,636 | \$ (94,850) | -2.00% | \$ - | \$ - |
| UACCM | \$ 5,193,324 | \$ - | \$ 5,193,324 | -3.34% | - | 0.00% | - | - | 0.00% | \$ 103,866 | \$ (103,866) | \$ 5,089,458 | \$ (103,866) | -2.00% | \$ - | \$ - |
| UACCRM | \$ 3,482,077 | \$ 41,291 | \$ 3,440,786 | 11.08% | 238 | 11.17% | - | 238 | 11.17% | \$ - | \$ 106,178 | \$ 3,546,964 | \$ 106,178 | 3.09% | \$ 68,816 | \$ 37,362 |
| UA-PT | \$ 14,725,798 | \$ 57,620 | \$ 14,668,178 | 1.59% | 219 | 10.24% | - | 219 | 10.24% | \$ - | \$ 97,332 | \$ 14,765,510 | \$ 97,332 | 0.66% | \$ 97,332 | \$ - |
| 2 YR SUBTOTAL | \$ 147,202,356 | \$ 706,620 | \$ 146,495,736 | -0.08% | 2,134 | 100% | - | 2,134 | 100% | \$ 950,314 | \$ - | \$ 146,495,736 | \$ - | 0.00% | \$ 568,400 | \$ 381,914 |
| TOTAL | \$ 588,582,614 | \$ 4,555,985 | \$ 584,026,629 | -0.14% | - | - | - | - | - | \$ - | \$ - | \$ 584,026,629 | \$ - | 0.00% | \$ 3,175,343 | \$ 2,011,804 |

* Denotes Institutions that met the 5% loss threshold when compared to initial funding from FY2020 per productivity distribution policy.