

Arkansas Division of Higher Education

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

Fiscal Year 2022-2023



Institutional Finance

December 2021

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 2022-23 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. 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 review justification requests submitted by the non-formula entities and prepare funding recommendations for Fiscal Year 2022-23 based upon those requests to be presented at the January Coordinating Board meeting.

Productivity Funding Distribution Recommendations for the 2022-23 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 2018 through academic year 2020 student data as well as academic year 2017 through academic year 2019 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 2.39%

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 those institutions of higher education of \$570,321,687 in 2022-23.

As part of the productivity funding formula, for the third 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 FY2023 is \$3,980,692.

For the **universities**, an increase in funding is recommended for those institutions with productivity increases for a total change in university funding of \$8,508,875. In addition to this new funding, this is the fourth year that institutions with productivity declines will have an amount reduced and then reallocated to the institutions who showed an increase. \$627,561 was reallocated from 2 institutions to the other 8 universities.

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 \$2,897,559. In addition to this new funding, \$658,396 was reallocated from 9 institutions to the other 13 two-year colleges. This is the first year that institutions have reached the overall 5% stop-loss language that is currently in the distribution policy. This policy states that once an institution reaches a level equal to 5% less than their initial FY2018 funding, that ADHE will not recommend any further reductions. 4 of the two-year colleges hit this 5% level for the FY2022-2023 recommendation. This resulted in the overall amount of reallocation dollars being reduced to ensure those 4 institutions do not lose more than that 5% for the upcoming fiscal year. This is shown in the data in Table 12C

This distribution recommendation results in a total request for new general revenue funds of \$7,425,742.

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 2022-23 fiscal year as included in Table 12B.

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 2022-23 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 5 - Productivity Funding Distribution

Productivity Index for FY2023	2.00%		
	Universities	Colleges	
FY2023 RSA Forecast	\$ 570,321,687	75%	25%
Productivity Recommendation	\$ 11,406,434	8,508,875	2,897,559

	NEW FUNDING	REALLOCATED FUNDING
University	\$ 8,508,875	\$ 627,561
College	\$ 2,897,559	\$ 658,396
TOTAL	\$ 11,406,434	\$ -

SOURCES OF NEW FUNDING	
State Contribution	\$ 7,425,742
Incentive Funding Contribution	\$ 3,980,692
Total	\$ 11,406,434

Year 5 Reallocation Loss Cap	2.00%
Year 5 Cap on RSA Increase	2.00%

Institution	RSA ONLY Funding FY2022	FY2022 Incentive Funding	FY2023 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 2022-2023	Total Change in Funding	% Change	RSA Increase (Capped at 2.0%)	Incentive Funding
ASUJ	\$ 58,414,129	\$ 340,033	\$ 58,074,096	2.86%	871	14.05%	1,195,404	871	14.05%	\$ -	\$ 88,165	\$ 59,357,665	\$ 1,283,569	2.21%	\$ 1,161,482	\$ 122,087
ATU	\$ 33,747,068	\$ -	\$ 33,747,068	3.15%	715	11.54%	981,609	715	11.54%	\$ -	\$ 72,397	\$ 34,801,075	\$ 1,054,007	3.12%	\$ 674,941	\$ 379,065
HSU	\$ 19,241,667	\$ -	\$ 19,241,667	0.09%	7	0.11%	9,669	7	0.11%	\$ -	\$ 713	\$ 19,252,049	\$ 10,382	0.05%	\$ 10,382	\$ -
SAUM	\$ 16,894,452	\$ 272,045	\$ 16,622,407	-4.22%	-	0.00%	-	-	0.00%	\$ 332,448	\$ (332,448)	\$ 16,289,959	\$ (332,448)	-2.00%	\$ -	\$ -
UAF	\$ 126,404,531	\$ 1,118,894	\$ 125,285,637	6.09%	3,779	60.93%	5,184,677	3,779	60.93%	\$ -	\$ 382,389	\$ 130,852,703	\$ 5,567,066	4.44%	\$ 2,505,713	\$ 3,061,354
UAFS	\$ 20,632,826	\$ -	\$ 20,632,826	1.46%	179	2.89%	245,809	179	2.89%	\$ -	\$ 18,129	\$ 20,896,765	\$ 263,939	1.28%	\$ 263,939	\$ -
UALR	\$ 56,534,925	\$ -	\$ 56,534,925	-0.52%	-	0.00%	-	-	0.00%	\$ 295,113	\$ (295,113)	\$ 56,239,812	\$ (295,113)	-0.52%	\$ -	\$ -
UAM	\$ 16,324,481	\$ 31,578	\$ 16,292,903	2.67%	170	2.74%	233,185	170	2.74%	\$ -	\$ 17,198	\$ 16,543,287	\$ 250,384	1.54%	\$ 250,384	\$ -
UAPB	\$ 22,827,305	\$ -	\$ 22,827,305	0.64%	46	0.74%	63,335	46	0.74%	\$ -	\$ 4,671	\$ 22,895,312	\$ 68,007	0.30%	\$ 68,007	\$ -
UCA	\$ 56,184,892	\$ -	\$ 56,184,892	1.74%	434	6.99%	595,185	434	6.99%	\$ -	\$ 43,897	\$ 56,823,974	\$ 639,082	1.14%	\$ 639,082	\$ -
4YR SUBTOTAL	427,206,276	1,762,550	425,443,726	2.72%	6,202	100%	8,508,875	6,202	100%	\$ 627,561	\$ -	\$ 433,952,601	\$ 8,508,875	2.00%	\$ 5,573,930	\$ 3,562,506
ANC	\$ 8,879,507	\$ 45,178	\$ 8,834,329	1.34%	40	1.45%	41,896	40	1.45%	\$ -	\$ 9,520	\$ 8,885,745	\$ 51,416	0.58%	\$ 51,416	\$ -
ASUB	\$ 11,525,049	\$ -	\$ 11,525,049	-1.00%	-	0.00%	-	-	0.00%	\$ 114,896	\$ (114,896)	\$ 11,410,153	\$ (114,896)	-1.00%	\$ -	\$ -
ASUMH	\$ 3,610,087	\$ -	\$ 3,610,087	-2.21%	-	0.00%	-	-	0.00%	\$ 72,202	\$ (72,202)	\$ 3,537,885	\$ (72,202)	-2.00%	\$ -	\$ -
ASUMS	\$ 4,097,248	\$ -	\$ 4,097,248	-6.54%	-	0.00%	-	-	0.00%	\$ 81,945	\$ (81,945)	\$ 4,015,303	\$ (81,945)	-2.00%	\$ -	\$ -
ASUN	\$ 6,760,376	\$ 369,200	\$ 6,391,176	2.66%	151	5.50%	159,335	151	5.50%	\$ -	\$ 36,205	\$ 6,586,716	\$ 195,540	3.06%	\$ 127,824	\$ 67,716
ASUTR*	\$ 3,407,518	\$ -	\$ 3,407,518	-1.91%	-	0.00%	-	-	0.00%	\$ 56,620	\$ (56,620)	\$ 3,350,898	\$ (56,620)	-1.66%	\$ -	\$ -
BRTC*	\$ 5,842,363	\$ -	\$ 5,842,363	-2.60%	-	0.00%	-	-	0.00%	\$ 34,523	\$ (34,523)	\$ 5,807,840	\$ (34,523)	-0.59%	\$ -	\$ -
CCCUA	\$ 3,591,046	\$ 45,486	\$ 3,545,560	6.35%	204	7.41%	214,624	204	7.41%	\$ -	\$ 48,768	\$ 3,808,951	\$ 263,391	7.43%	\$ 70,911	\$ 192,480
EACC	\$ 8,492,200	\$ 83,008	\$ 8,409,192	15.31%	336	12.21%	353,880	336	12.21%	\$ -	\$ 80,410	\$ 8,843,482	\$ 434,290	5.16%	\$ 168,184	\$ 266,107
NAC	\$ 7,650,937	\$ -	\$ 7,650,937	-0.88%	-	0.00%	-	-	0.00%	\$ 67,251	\$ (67,251)	\$ 7,583,686	\$ (67,251)	-0.88%	\$ -	\$ -
NPC	\$ 8,995,643	\$ -	\$ 8,995,643	7.16%	348	12.65%	366,672	348	12.65%	\$ -	\$ 83,317	\$ 9,445,632	\$ 449,989	5.00%	\$ 179,913	\$ 270,076
NWACC	\$ 11,957,235	\$ 743,294	\$ 11,213,941	4.89%	654	23.76%	688,568	654	23.76%	\$ -	\$ 156,460	\$ 12,058,969	\$ 845,028	7.54%	\$ 224,279	\$ 620,749
OZC	\$ 3,257,617	\$ 147,860	\$ 3,109,757	6.52%	175	6.37%	184,571	175	6.37%	\$ -	\$ 41,939	\$ 3,336,266	\$ 226,509	7.28%	\$ 62,195	\$ 164,314
PCCUA	\$ 9,280,565	\$ 112,098	\$ 9,168,467	2.64%	67	2.44%	70,687	67	2.44%	\$ -	\$ 16,062	\$ 9,255,216	\$ 86,749	0.95%	\$ 86,749	\$ -
SACC	\$ 6,068,050	\$ -	\$ 6,068,050	3.22%	108	3.93%	113,894	108	3.93%	\$ -	\$ 25,879	\$ 6,207,823	\$ 139,773	2.30%	\$ 121,361	\$ 18,412
SAUT	\$ 5,786,719	\$ 104,389	\$ 5,682,330	-2.37%	-	0.00%	-	-	0.00%	\$ 113,647	\$ (113,647)	\$ 5,568,683	\$ (113,647)	-2.00%	\$ -	\$ -
SEAC*	\$ 5,386,789	\$ -	\$ 5,386,789	-3.27%	-	0.00%	-	-	0.00%	\$ 31,831	\$ (31,831)	\$ 5,354,958	\$ (31,831)	-0.59%	\$ -	\$ -
UACCB	\$ 4,192,273	\$ -	\$ 4,192,273	10.33%	305	11.10%	321,606	305	11.10%	\$ -	\$ 73,077	\$ 4,586,956	\$ 394,683	9.41%	\$ 83,845	\$ 310,837
UACCHT	\$ 5,019,982	\$ 228,970	\$ 4,791,012	1.11%	39	1.43%	41,393	39	1.43%	\$ -	\$ 9,405	\$ 4,841,810	\$ 50,798	1.06%	\$ 50,798	\$ -
UACCM	\$ 5,350,369	\$ 163,237	\$ 5,187,132	2.86%	168	6.10%	176,638	168	6.10%	\$ -	\$ 40,136	\$ 5,403,906	\$ 216,774	4.18%	\$ 103,743	\$ 113,031
UACCRM	\$ 3,478,484	\$ 175,422	\$ 3,303,062	8.59%	155	5.65%	163,796	155	5.65%	\$ -	\$ 37,218	\$ 3,508,355	\$ 205,293	6.22%	\$ 66,147	\$ 139,147
UA-PTC*	\$ 14,466,046	\$ -	\$ 14,466,046	-2.67%	-	0.00%	-	-	0.00%	\$ 85,481	\$ (85,481)	\$ 14,380,565	\$ (85,481)	-0.59%	\$ -	\$ -
2 YR SUBTOTAL	\$ 147,096,103	\$ 2,218,142	\$ 144,877,961	1.71%	2,750	100%	2,897,559	2,750	100%	\$ 658,396	\$ -	\$ 147,775,520	\$ 2,897,559	2.00%	\$ 1,397,364	\$ 2,162,870
TOTAL	\$ 574,302,379	\$ 3,980,692	\$ 570,321,687	2.39%	-	-	11,406,434	-	-	-	\$ -	\$ 581,728,121	\$ 11,406,434	2.00%	\$ 6,971,294	\$ 5,725,376