# Proposed Rulemaking

## Title

**Promulgated by:**
**Division of Higher Education**

**Title 6. Education**

**Chapter IV. Division of Higher Education, Department of Education**

**Subchapter A. Generally**

**Part 360. Rule Governing Distribution of Productivity-Based Funding for State-Supported Institutions of Higher Education**

**Subpart 1. Generally**

**6 CAR § 360-101. Purpose.**

(a) The ~~Arkansas Higher Education Coordinating Board~~Division of Higher Education shall use the productivity-based funding model as the mechanism for recommending to the General Assembly funding for ~~applicable institutions~~state-supported institutions of higher education.

(b) The ~~board~~division shall recommend funding for:

(1) ~~For the institutions as a collective~~State-supported institutions of higher education as a whole; and

(2) ~~To each individual institution~~The allocation of funding to each state-supported institution of higher education.

(c) The ~~board~~division ~~shall~~may make separate recommendations for~~ the two-year institutions and four-year institutions.~~:

(1) Two-year state-supported institutions of higher education; and

(2) Four-year state-supported institutions of higher education.

**6 CAR § 360-102. Definitions.**

As used in this part:

(1) "College graduate" means a student who has successfully completed a prescribed program of study.

~~(1)~~(2) "Institution" means a state-supported:

(A) Two-year state-supported institution of higher education; or

(B) Four-year state-supported institution of higher education;

~~(2)~~(3) "Productivity-based funding" means a mechanism to align institutional funding with statewide priorities for postsecondary education by incentivizing progress toward statewide goals; and

(4) "Return on investment metric" means the amount of time it takes for a college graduate to recover the cost of their post-secondary education and begin earning more than a high school graduate.

~~(3)~~(5) "RSA" means the Revenue Stabilization Act.

**6 CAR § 360-103. Funding distribution framework.**

(a)(1) A productivity index for each institution ~~will~~ shall be calculated based on the:

(A) Value-Based Productivity Funding Model — ~~Universities~~State-Supported Institutions of Higher Education, 6 CAR pt. ~~361~~376~~; and~~

~~(B) Productivity Funding Model — Two-Year Colleges, 6 CAR pt. 362~~.

(2) Each institution's current productivity index ~~will~~ shall be compared to its previous year's index to determine productivity changes.

(3) One (1) productivity index ~~will~~shall be:

(A) Calculated to represent productivity changes for institutions as a ~~collective~~whole; and

(B) Used to determine how much new state funding is recommended.

(4) The ~~Arkansas Higher Education Coordinating Board~~ Division of Higher Education ~~will~~shall limit the funding recommendation generated by the productivity-based funding model to no more than a two-percent (2%) growth over the prior year's RSA general revenue funding amount for institutions.

(b)(1) When new state funding is recommended, the proportion of new ~~moneys~~monies to be distributed among institutions ~~will~~shall be divided into two (2) separate funding pools for four-year and two-year institutions based upon the percentage of existing RSA general revenue.

(2) If any RSA general revenue funds remain unallocated to institutions due to productivity declines, the ~~Division of Higher Education~~ division shall utilize the funds to address statewide needs in higher education.

(3) New RSA general revenue allocated to institutions ~~will~~shall be distributed among the institutions with productivity index increases.

(4) The percentage of new RSA general revenue funding recommended for institutions with productivity index increases ~~will~~shall be calculated as a percentage of the contribution to the overall institutions' productivity index increases.

(c)(1) Within each four-year and two-year institution group, RSA general revenue funding ~~will~~shall be recommended for reallocation from institutions with productivity index declines to institutions with productivity index increases.

(2) Reallocation of RSA general revenue funding to institutions with productivity increases ~~will~~shall be calculated as a percentage of the contribution to the overall four-year or two-year institution productivity index increases.

(3) Reallocation for institutions with productivity index declines ~~will~~shall be based on their percentage of productivity index decline.

(4) Recommended reallocation ~~will~~ shall be introduced ~~on a graduated scale starting with one percent (1%) of an institution's RSA general revenue funding being reallocated in 2019-2020, up to one and one-half percent (1.5%) in 2020-2021, and~~ up to two percent (2%) ~~in 2021-2022 and thereafter~~.

(d)(1) The total RSA general revenue recommendation for each institution ~~will~~shall include any new state funding recommendation and reallocated funding recommendation.

(2) If an institution's funding recommendation is greater than a ~~one percent (1%) increase in 2018-2019, one and one-half percent (1.5%) increase in 2019-2020, or~~ two percent (2%) increase ~~thereafter~~ over its existing RSA general revenue funding,

the ~~board~~division ~~will~~shall recommend that:

(A) The amount of funding recommendation up to two percent (2%) based on the graduated scale be added to an institution's existing RSA general revenue; and

(B) Any funding recommendation in excess would be one-time incentive funding for that institution.

(3) The ~~board~~division ~~will~~shall recommend redistribution of one-time incentive funding in the following year based on productivity index changes.

(e) In the event that an institution of higher education's RSA general revenue funding declines by more than five percent (5%) within any consecutive five-year period due to productivity declines, the division shall not further recommend reductions in funding for that institution.

(f) In any fiscal year for which the aggregate general revenue funding forecast to be available for ~~state-supported~~ institutions ~~of higher education~~ is greater than two percent (2%) less than the amount provided for the immediate fiscal year, the division shall not further implement the productivity-based funding model until the following fiscal year.

(g) This part ~~will~~shall be reviewed by the division every ~~three (3)~~five (5) years to ensure that productivity funding distribution continues to respond to the needs and priorities of the state.

(h) However, if the division determines that the funding distribution framework created unintended consequences, this part ~~will~~shall be reviewed immediately.