

Regular Session, 2014

SENATE BILL NO. 337

BY SENATOR APPEL

POSTSECONDARY ED. Provides for the development of an outcomes-based funding formula for postsecondary education. (gov sig)

1 AN ACT

2 To enact R.S. 17:3129.2, relative to public postsecondary education; to provide for the  
3 development of an outcomes-based funding formula for postsecondary education;  
4 to provide relative to formula components and a time line for implementation of the  
5 formula; to provide for submission to the Board of Regents; to provide for reporting  
6 requirements; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 17:3129.2 is hereby enacted to read as follows:

9 **§3129.2. Postsecondary education; outcomes-based funding formula; creation;**  
10 **components; approval; implementation; reports**

11 **A. The legislature finds that:**

12 **(1) There is a direct correlation between postsecondary educational**  
13 **attainment, individual earning power and quality of life, and the overall**  
14 **economic health and prosperity of the state.**

15 **(2) Alignment of postsecondary program offerings with economic**  
16 **development and workforce needs and increased emphasis on the production**  
17 **of postsecondary degrees and certifications that provide the holder with greater**

1           earning potential are necessary and essential to the state's economic well being  
2           and the welfare of the people of Louisiana.

3           (3) The number of Louisiana residents with postsecondary degrees and  
4           certificates must significantly increase in order to meet the state's current and  
5           projected workforce demands.

6           (4) Any measurement of the success of Louisiana's postsecondary  
7           educational system must necessarily include indicators that compare the  
8           performance of individual institutions to that demonstrated by statistically peer  
9           institutions across the country.

10          (5) The current retention, completion, and graduation rates of most of  
11          Louisiana's public colleges and universities are below regional and national  
12          averages, and it is both responsible and in the best interest of the state to  
13          allocate educational resources in a manner that effectively supports our public  
14          postsecondary institutions and promotes and prioritizes outcomes at the campus  
15          level.

16          (6) The state's Master Plan for Postsecondary Education and  
17          postsecondary education funding formula must reflect student and state  
18          priorities and promote and drive the changes needed to make Louisiana's public  
19          postsecondary educational system more productive, more efficient, more  
20          affordable, more accountable, and better aligned with the state's economic  
21          development and workforce needs.

22          B. The commissioner of higher education and the president of each  
23          public postsecondary education system shall jointly and collaboratively:

24          (1) Review the postsecondary education funding formula and develop a  
25          comprehensive outcomes-based funding formula that ensures the equitable  
26          allocation of state funds to public postsecondary educational institutions,  
27          appropriately considers costs, places significant emphasis on student and  
28          institutional outcomes, and aligns with the state's economic development and  
29          workforce needs.

1                   **(2) Consult with and solicit meaningful feedback and guidance from**  
2                   **institutional presidents, chancellors, faculty, chief academic officers, chief**  
3                   **financial officers, students, and business and civic leaders.**

4                   **(3) Make recommendations for any changes needed in the Master Plan**  
5                   **for Postsecondary Education and the Granting Resources and Autonomies for**  
6                   **Diplomas Act as provided in R.S. 17:3139, et seq., to support and facilitate**  
7                   **implementation of the outcomes-based funding formula.**

8                   **C. In creating the outcomes-based funding formula, the commissioner**  
9                   **of higher education and the postsecondary system presidents shall focus upon**  
10                  **developing the optimal methodology by which to allocate postsecondary funding**  
11                  **in a manner that provides incentives for institutions to achieve desired**  
12                  **outcomes. The following factors shall be considered and included in the formula**  
13                  **as deemed appropriate:**

14                  **(1) Student success factors, including retention, timely progression**  
15                  **toward degree completion, cost of completion, certificate and degree**  
16                  **production, and successful transfer of students from community and technical**  
17                  **colleges to four-year degree granting institutions.**

18                  **(2) Alignment with economic development and workforce needs,**  
19                  **including certificate and degree production in science, technology, engineering,**  
20                  **mathematics, and other high demand fields and the potential earning power of**  
21                  **graduates.**

22                  **(3) Research and innovation, including research expenditures,**  
23                  **technology transfer, and commercialization.**

24                  **(4) Funding, including credit hour costs and cost of certificate and**  
25                  **degree completion.**

26                  **(5) Any other factor or metric that would promote desired student and**  
27                  **institutional outcomes.**

28                  **D. The outcomes-based funding formula shall:**

29                  **(1) Appropriately consider the role, scope, and mission of each**

1 postsecondary institution.

2 (2) Establish a concise set of outcomes to be measured for each  
3 postsecondary institution and define metrics for each outcome that are reliable,  
4 accurate, nationally recognized, and benchmark the performance of each  
5 institution compared to its statistical peers in other states, wherever valid  
6 comparable data is available.

7 (3) Determine the optimal allocation of state appropriated funds to each  
8 postsecondary institution based upon operational costs, performance outcomes,  
9 and performance-based, targeted incentives. However, the amount to be  
10 allocated based upon performance outcomes must be sufficient to incentivize  
11 increased performance at the campus level.

12 (4) Consider the characteristics unique to each individual postsecondary  
13 institution, including community and technical colleges and professional  
14 schools, such as student enrollment characteristics and geographic location and  
15 delivery area.

16 (5) Include safeguards to prevent sudden, dramatic changes in the  
17 funding level of any postsecondary institution.

18 (6) Contain a time line for full formula implementation.

19 E. Implementation of the outcomes-based funding formula shall begin  
20 as soon as practicable, but not later than the beginning of the 2016-2017 fiscal  
21 year.

22 F.(1) Not later than December 31, 2015, the commissioner of higher  
23 education shall submit a written report containing the proposed outcomes-based  
24 funding formula and related recommendations for related policy and statutory  
25 changes to the Board of Regents for its consideration and approval.

26 (2) The Board of Regents shall review the report and subsequently  
27 submit the report, the proposed outcomes-based funding formula, and the  
28 board's comments and recommendations to the Senate Committee on  
29 Education, the Senate Committee on Finance, the House Committee on

1           Education, and the House Committee on Appropriations, not later than  
2           January 31, 2016.

3                   G. The commissioner of higher education and the postsecondary system  
4           presidents shall collectively re-evaluate the postsecondary education funding  
5           formula at least once every two years and submit a written report regarding the  
6           formula's effectiveness and the performance of each postsecondary institution  
7           to the Senate Committee on Education, the Senate Committee on Finance, the  
8           House Committee on Education, and the House Committee on Appropriations.

9           Section 2. This Act shall become effective upon signature by the governor or, if not  
10           signed by the governor, upon expiration of the time for bills to become law without signature  
11           by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
12           vetoed by the governor and subsequently approved by the legislature, this Act shall become  
13           effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Jeanne C. Johnston.

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#### DIGEST

Appel (SB 337)

Proposed law provides for the creation and implementation of an outcomes-based funding formula for postsecondary education as follows:

- (1) Requires the commissioner of higher education and the presidents of each postsecondary education system to:
  - (a) Review the postsecondary education funding formula and develop a comprehensive outcomes-based funding formula that ensures the equitable allocation of state funds to public postsecondary educational institutions, appropriately considers costs, places significant emphasis on student and institutional outcomes, and aligns with the state's economic development and workforce needs.
  - (b) Consult with and solicit meaningful feedback and guidance from institutional presidents, chancellors, faculty, chief academic officers, chief financial officers, students, and business and civic leaders.
  - (c) Make recommendations for any changes needed in the Master Plan for Postsecondary Education and the Granting Resources and Autonomies for Diplomas Act as provided in R.S. 17:3139, et seq., to support and facilitate implementation of the outcomes-based funding formula.
  - (d) Focus upon developing the optimal methodology by which to allocate postsecondary funding in a manner that provides incentives for institutions to achieve desired outcomes.

- (2) Requires that the following factors be considered and included in the formula as deemed appropriate.
  - (a) Student success factors, including retention, timely progression toward degree completion, cost of completion, certificate and degree production, and successful transfer of students from community and technical colleges to four-year degree granting institutions.
  - (b) Alignment with economic development and workforce needs, including certificate and degree production in science, technology, engineering, mathematics, and other high demand fields and the potential earning power of graduates.
  - (c) Research and innovation, including research expenditures, technology transfer, and commercialization.
  - (d) Funding, including credit hour costs and cost of certificate and degree completion.
  - (e) Any other factor or metric that would promote desired student and institutional outcomes.
- (3) Requires the outcomes-based formula to:
  - (a) Appropriately consider the role, scope, and mission of each postsecondary institution.
  - (b) Establish a concise set of outcomes to be measured for each postsecondary institution and define metrics for each outcome that are reliable, accurate, nationally recognized, and benchmark the performance of each institution compared to its statistical peers from other states, wherever valid comparable data is available.
  - (c) Determine the optimal allocation of state appropriated funds to each postsecondary institution based upon operational costs, performance outcomes, and performance-based, targeted incentives. However, the amount to be allocated based upon performance outcomes must be sufficient to incentivize increased performance at the campus level.
  - (d) Consider the characteristics unique to each individual postsecondary institution, including community and technical colleges and professional schools, such as student enrollment characteristics and geographic location and delivery area.
  - (e) Include safeguards to prevent sudden, dramatic changes in the funding level of any postsecondary institution.
  - (f) Contain a time line for full formula implementation.
- (4) Requires that formula implementation shall begin as soon as practicable, but not later than the beginning of the 2016-2017 fiscal year.
- (5) Requires the commissioner of higher education, not later than December 31, 2015, to submit a written report containing the proposed outcomes-based funding formula and related recommendations for related policy and statutory changes to the Board of Regents for its consideration and approval.
- (6) Requires the Board of Regents to review the report and subsequently submit the

report, the proposed outcomes-based funding formula, and the board's comments and recommendations to the Senate Committee on Education, the Senate Committee on Finance, the House Committee on Education, and the House Committee on Appropriations, not later than January 31, 2016.

- (7) Requires the commissioner of higher education and the postsecondary system presidents to collectively re-evaluate the postsecondary education funding formula at least once every two years and submit a written report regarding the formula's effectiveness and the performance of each postsecondary institution to the Senate Committee on Education, the Senate Committee on Finance, the House Committee on Education, and the House Committee on Appropriations.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 17:3129.2)