**Act 462 of 2014 Requirements**

Pursuant to Act 462 of 2014, the **following factors shall be considered and included in the formula** as deemed appropriate (Section C):

1. Student success factors, including retention, timely progression toward degree completion, cost of completion, certificate and degree production & successful transfer of students from community & technical colleges to four-year degree granting institutions.
   1. Metrics included in the formula that achieve this goal include:
      * Time-to-degree weights for 2 year and 4 year (native students & transfer students) - based on all degree production (and not only students completing within a specific cohort)
      * Higher weights for upper level students (not only retention, but progression)
      * Including certificates/diplomas awarded (2 years) & graduate degrees awarded (4 years)
      * Transfer students from 2 year institutions to 4 year institutions
2. 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.
   1. Metrics included in the formula that achieve this requirement include: Completers in Programs that lead to 4 and 5 Star Jobs. This metric is based upon information provided to the BoR from LED with a priority range from 1 to 4. In addition, the outcomes portion includes an incentive for recruiting adults age 25 and above.
3. Research and innovation, including research expenditures, technology transfer and commercialization.
   1. Metrics included in the formula that achieve this requirement include: a research component for the 4-year institutions.
4. Funding, including credit hours costs and cost of certificate and degree completion.
   1. The cost portion of the formula serves as the basis for the outcomes based portion. The core cost is estimated by calculating each school’s weighted student credit hours and multiplying by a unit cost (based largely on comparative peer data). Consideration for operation of plant and maintenance (based on square footage) and a general support cost (based on SREB peer categories) are added to calculate a “total cost”. This is then multiplied by the respective SREB state share (per Category) to determine the portion the state share of cost should be for each 2 year/4 year institution.
5. Any other factor or metric that would promote desired student and institutional outcomes.
   1. BoR staff and system staff collaboratively worked to identify and include all relevant metrics. However, to the extent additional metrics are brought forth and deemed appropriate to realize improved outcomes, they will be included within the outcomes based formula.

The **outcomes-based funding formula shall** (Section D):

1. Appropriately consider the role, scope and mission of each postsecondary institution.
   1. Due to the differing outcome metrics included within the formula, Regents contends that all institutions can utilize these metrics to align to their respective role, scope and mission. The outcomes formula incentivizes various metrics that each school can benefit from. BoR commits to continue working with the Systems to accomplish this.
2. Establish a concise set of outcomes to be measured for each postsecondary institution and define metrics 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 in other states, wherever valid comparable data is available.
   1. For this initial year, Regents’ staff contends that we have established concise and clearly defined outcomes, many of which have never been measured before. It was important to establish this “base year” prior to benchmarking performance for specific metrics going forward. However, IPEDS has begun collecting completion data on part-time and transfer populations which should assist institutions in peer comparisons. Also Complete College America (or CCA) compiles reports regarding time-to-degree, with identified “game changers” promoted to decrease the time-to-degree.
3. Determine the optimal allocation of state appropriated funds to each postsecondary 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.
   1. The cost portion of the formula is utilized to determine the 2 year/4 year pools, which are used in determining the outcomes-based portion of the formula’s pro-rata share utilized in distribution.
4. Consider the characteristics unique to each individual postsecondary institution, including community & technical colleges and professional schools, such as student enrollment characteristics and geographic location and delivery area.
   1. This formula incentivizes the enrollment of adults and at-risk students (Pell proxy), accounts for the substantial enrollment of part-time students, cost weights for remedial education (1.45 relative cost), and encourages both cross-enrollment and transfers of students. These components specifically benefit the Community and Technical Colleges as well as many of our Regional institutions. Professional Schools, as stand-alones, are not part of the 2 year/4 year funding formula.
5. Include safeguards to prevent sudden, dramatic changes in the funding level of any postsecondary institution.
   1. The safeguard approved by BoR provides a distribution that includes a 70% reliance on the FY 16 “Base” budget. The FY 16 Base is defined by BoR as the 12/1/2015 existing operating budget. The remaining 30% is split equally between cost and outcomes.
6. Contain a timeline for full formula implementation.
   1. Pursuant to Act 462 of 2014, the outcomes based funding formula has been fully implemented effective FY 17. To the extent that funding is stabilized and/or increases, more emphasis will be placed on the cost and outcomes portions of the funding formula and less emphasis will be placed on the base.