

# POSTSECONDARY FUNDING DISTRIBUTION MODELS



*PRESENTED TO:*  
HOUSE COMMITTEE ON  
HIGHER EDUCATION,  
INNOVATION, AND  
WORKFORCE DEVELOPMENT

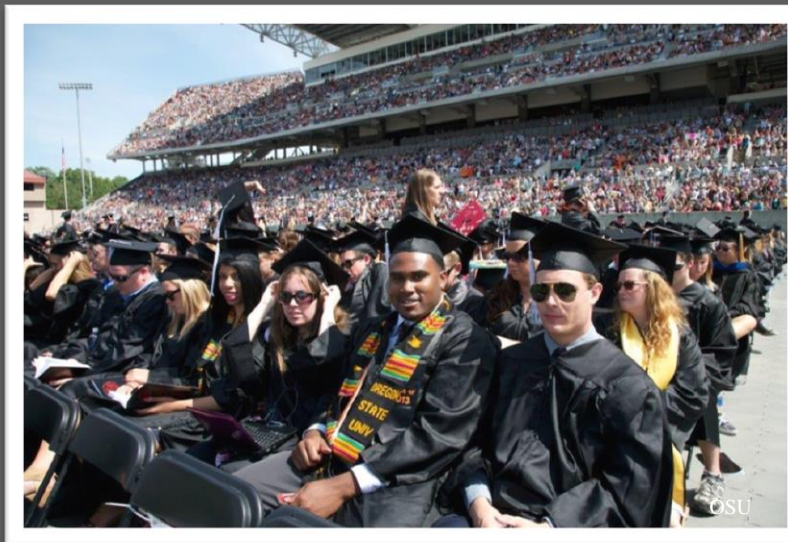


May 6, 2015

BEN CANNON, Executive Director, HECC; BRIAN FOX, Director, University Budget and Finance; JIM MIDDLETON, Interim Commissioner, CCWD

# INTRODUCTION

BEN CANNON, Executive Director, HECC



# OUTCOMES-BASED FUNDING

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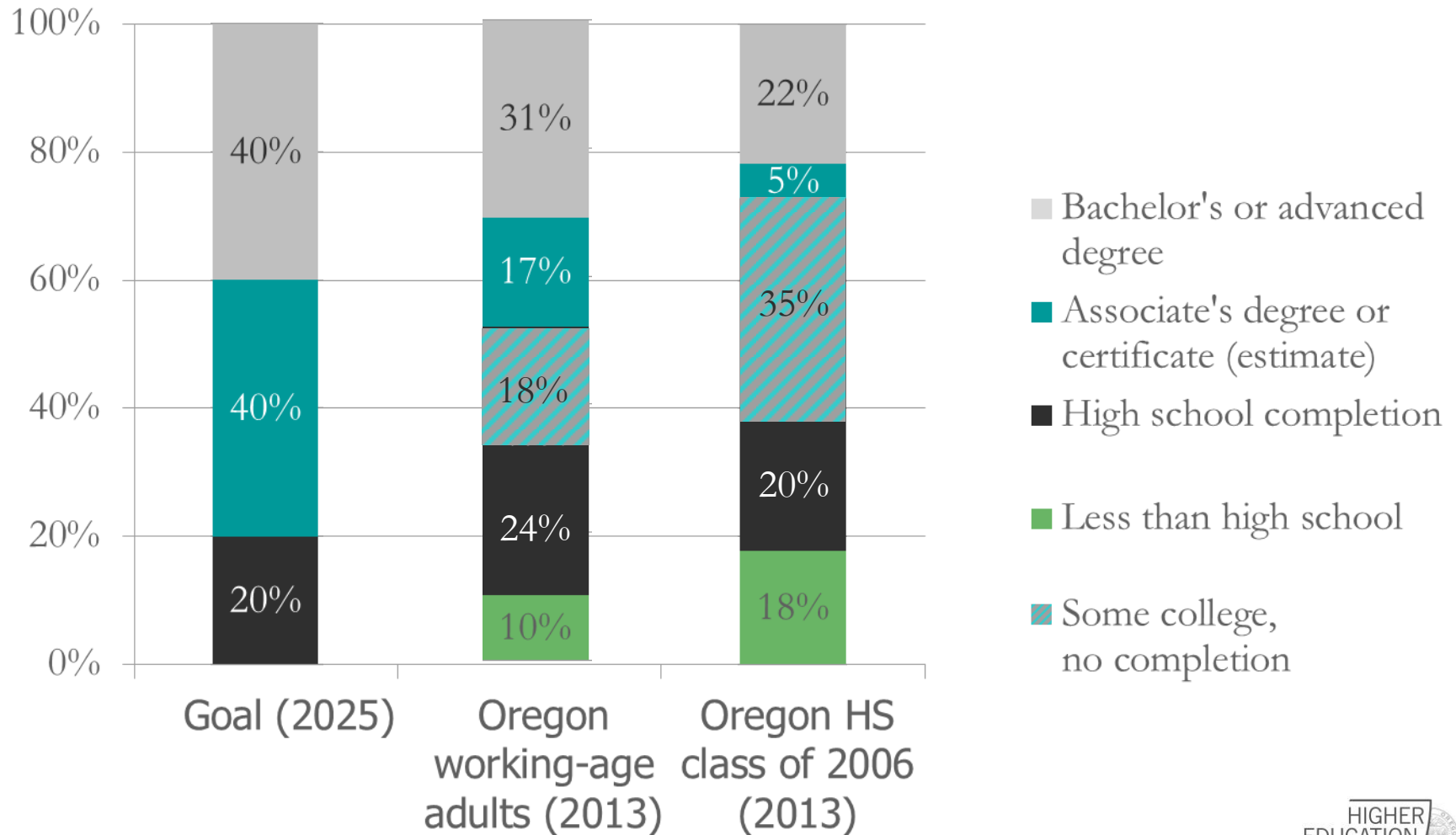
A method for the distribution of state resources

Not a substitute for the need for additional state resources

An appropriate alternative to tight state oversight of institutions

Its aims should be modest, and should reflect the state's particular higher education context

# CONTEXT: 40-40-20

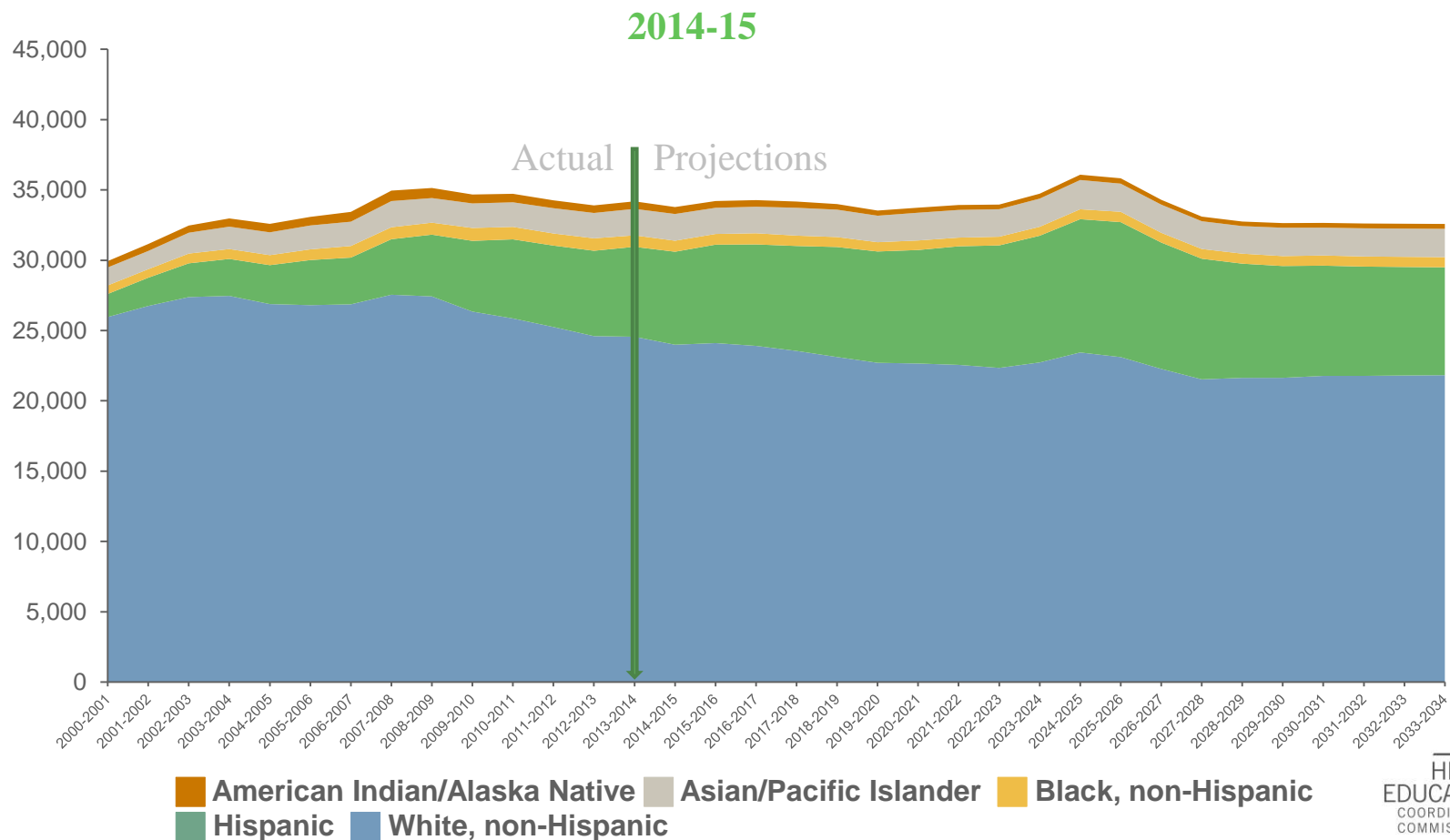


Source: HECC analysis of the American Community Survey, ECONW

# CONTEXT: INCREASING DIVERSITY

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## Oregon Public High School Graduates by Race/Ethnicity, Actual and Projected



# LEGISLATIVE MANDATE AND HECC PROCESS

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## ORS 351.735(3)(d)

- 3) The Higher Education Coordinating Commission shall:
  - d) Adopt rules governing the distribution of appropriations from the Legislative Assembly to community colleges, public universities listed in ORS 352.002 and student access programs. These rules must be based on allocation formulas developed in consultation with the state's community colleges and public universities, as appropriate.

To that end, the HECC convened a workgroup to develop the Student Success and Completion Model in June 2015.

- This workgroup included senior financial, academic and student affairs representatives from each public university as well as student and faculty leadership from OSA and IFS.

# WHAT IS OUTCOMES BASED FUNDING?

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## Outcomes-Based Funding (OBF)

- Linked to state educational attainment goals
- Directs state investment to completions (including course completions, degree and certificate completions)
- Designed to reward and reinforce institutional investments in student success and support services
- Focused on achieving equity goals

25 states currently have some form of OBF system and 9 more are currently developing them

- Colorado recently approved an outcomes based funding formula for both 2 and 4 year institutions

# COMMON CONCERNS

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## Primary concerns of stakeholders

- Equity and access
- Degree and program quality

## Some HECC considerations

- University model funds underrepresented students at a higher rate.
- Annual evaluations of universities to include a robust set of qualitative and quantitative evaluations of academic and programmatic quality.



# COMPARING ENROLLMENT AND OUTCOMES FUNDING DISTRIBUTIONS

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	Enrollment-based distributions	Outcomes-based distributions
Incentives to increase student success	No	Yes
Incentives to increase enrollment	Yes	No
Incentives for academic quality	No	No
Includes adjustments/weights for underrepresented students	No	Yes
Includes adjustments/weights for low income students	No	Yes
Reflects institutional missions	Yes (access)	Yes (student success)

# DESIGN PRINCIPLES FOR PERFORMANCE FUNDING

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*(with thanks to Dennis Jones, NCHEMS): Outcomes Based Funding; the Wave of Implementation\*)*

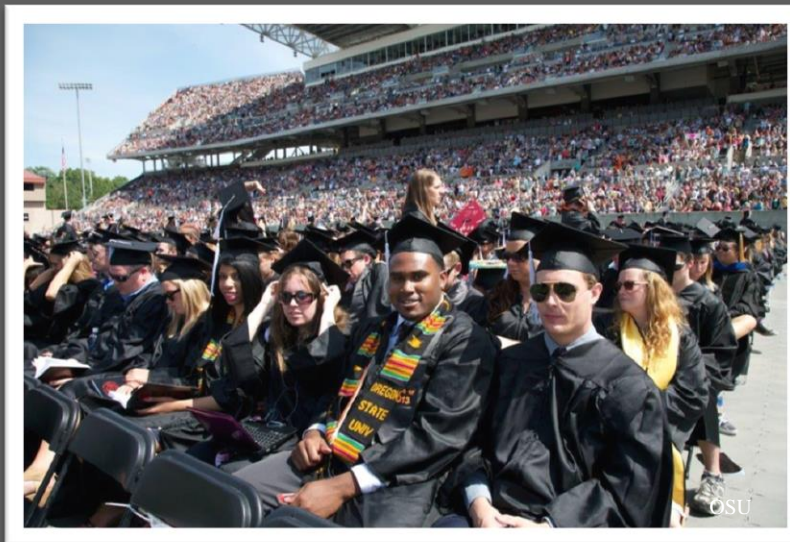
- Begin at the beginning
- Measure what you want to get
- Fund what you measure
- Understand (and appreciate) the angst
- Recognize performance funding as one piece of the puzzle

\*<http://www.nchems.org/pubs/docs/Outcomes-Based%20Funding%20Paper%20091613.pdf>

# UNIVERSITY STUDENT SUCCESS AND COMPLETION MODEL



BRIAN FOX, Director, University Budget and Finance, HECC



# THE RESOURCE ALLOCATION MODEL (RAM)

The RAM allocates the Public University Support Fund (PUSF) to the seven public universities

The RAM contains two primary funding items: line item and enrollment funding

- The majority of funds flow through a cost-weighted enrollment driven formula (70%)
- A set of line items, including Regional Support, Research and Public Service are supported (29%)
- A small incentive fund for student success allocates resources based on degrees completed and emphasizes underrepresented minority or rural students (1.5%)

RAM uses single year data and is highly volatile, particularly dangerous for institutions that are more reliant on state funding and are enrollment dependent

# WORKGROUP'S PROCESS & OUTCOMES

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HECC convened a workgroup including senior financial, academic, and student affairs administrators from each university as well as student and faculty leaders.

HECC used existing states' models and literature to create an OBF model that builds from others yet meets Oregon's unique institutional context.

The HECC articulated the following principles to guide the workgroup:

- Reflect HECC strategic plan and OEIB Equity Lens
- Focus on student access and success with an emphasis on underrepresented populations
- Encourage high demand/high reward degrees
- Recognize/reward differentiation in institutional mission and scope
- Use clearly defined, currently available data
- Maintain clarity and simplicity
- Utilize phase-in period to ensure stability, beginning with 2015-17 biennium

Workgroup convened in June 2015 and through an iterative process delivered the fully developed SSCM to HECC staff in February 2015.

# STUDENT SUCCESS AND COMPLETION MODEL

The Student Success and Completion Model (SSCM) has three primary components:

- **Mission Differentiation Funding** supporting regional, research and public service mission of each university
- **Activity-Based Funding** which invests in credit hour enrollment of Oregon resident students
- **Completion Funding** which focuses investment in degree and certificate completion of Oregon resident students with particular emphasis on underrepresented student populations and priority degree areas

Transition mechanisms are in place to smooth the transition from RAM to SSCM:

- **Graduated increase** in completion funding and measured transition from enrollment funding
- **Stop-loss and stop-gain** mechanism to ensure all institutions have predictable funding levels and share in increased resources

SSCM uses three-year rolling average to reduce volatility in funding to universities

# MISSION DIFFERENTIATION ALLOCATION

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There are **three types** of mission differentiation funding:

- **Regional Support** allocations provide resources for the higher cost mission of the four Technical and Regional Universities (TRU) and OSU Cascades which serve a unique and critical public purpose
- **Research Support** allocations provide resources for key economic development and innovation needs of the state
- **Mission Support** allocations provide funding for non-instructional activities, as diverse as the Veterinary Diagnostic Laboratory (OSU) and NEW Leadership Oregon (PSU)

Funding indexed to Portland CPI/legislative funding

Mission Differentiation Funding comes “off the top”

TRU Shared Services will be incorporated into Regional Support allocation.

# ACTIVITY BASED ALLOCATION

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Replicates cost-based weighting factor approach in previous funding model

Supports and incentivizes enrollment, and provides intermediate payment

Continues to support partnerships between institutions and across sectors

Funds enrollment and courses for all resident students

HECC will convene a workgroup to update cost weighting factors which were developed over 15 years ago



# COMPLETION FOCUSED ALLOCATION

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Degrees at all levels are funded: Bachelor's through PhD's as well as graduate certificates

Cost adjustments are made to reflect program duration, program type, and for transfer students

Additional weighting is provided for students who complete from traditionally underserved student populations, including:

- Low income, underrepresented minority, rural, and veteran students

Additional weighting is provided for students who complete in areas of critical need for the state, including:

- STEM, Healthcare and Bilingual Education

# TRANSITIONING TO NEW FUNDING SYSTEM

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## Stop loss

- Brackets downside risk for institutions. During the transition period, the stop loss is set such that no institution can lose funding and ensures that during the first year all institutions see at least a 4.5% increase in funding.

## Stop gain

- The stop-gain tool is designed to prevent an institution from receiving an abnormally large increase in allocation in excess of a pre-determined threshold when compared to the prior year

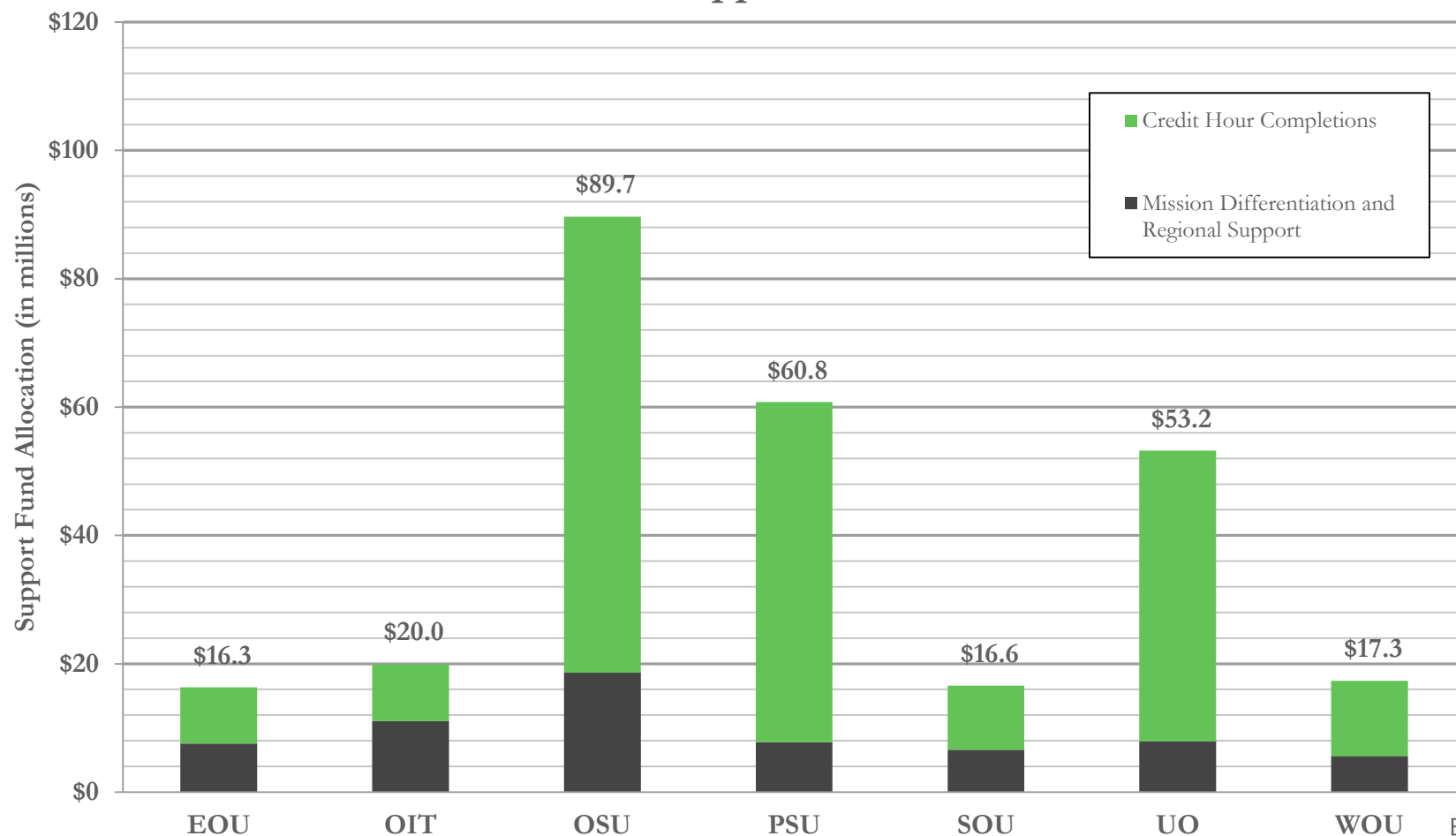
## Phase in of completion funding

- During the first year a relatively small portion of total funding is based on degree completions. Over subsequent years completion funding will increase until it accounts for 60% of formula based allocation.

# 2015 FUNDING ALLOCATION

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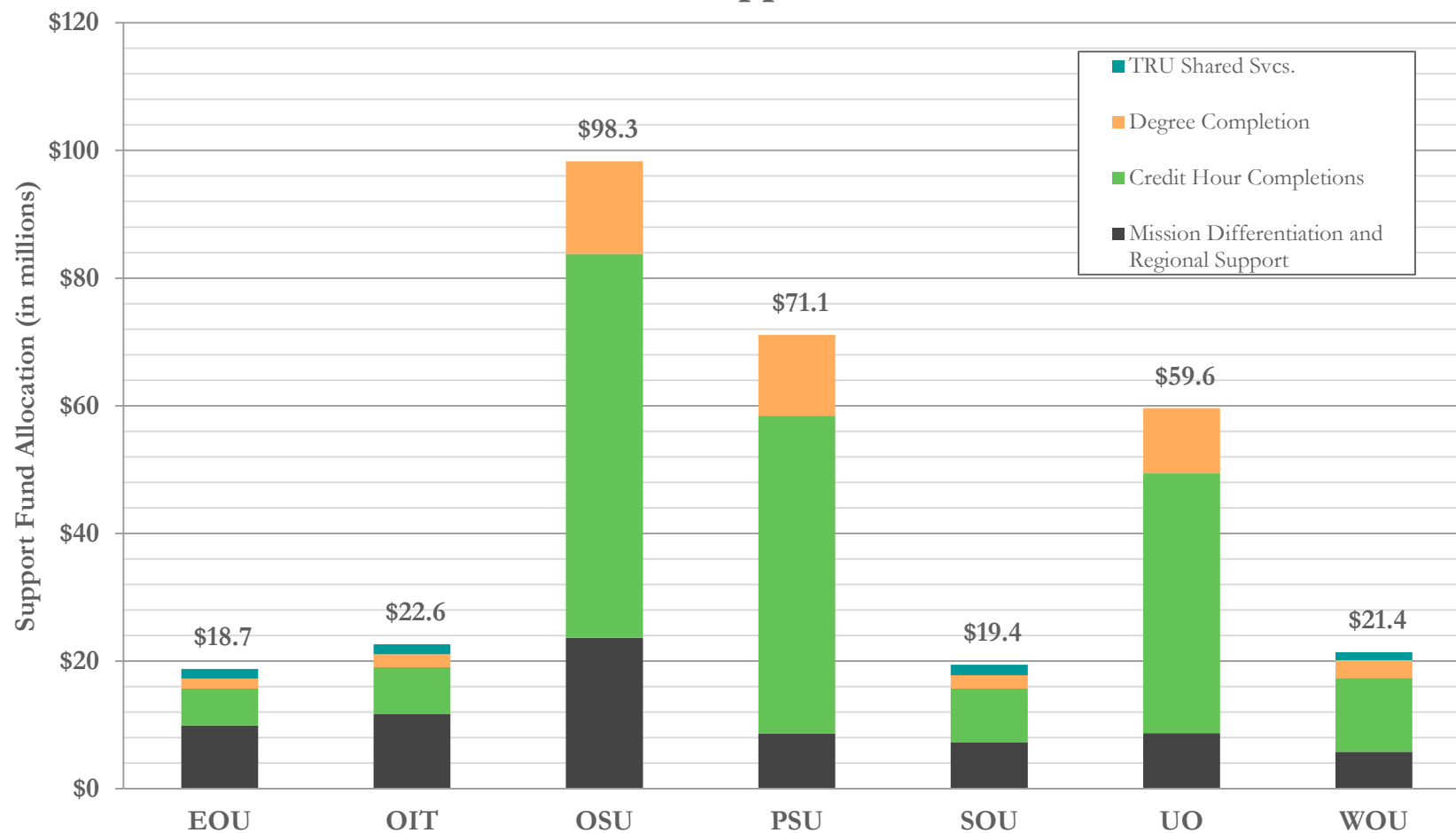
## Academic Year 15 Support Fund Allocation



# 2016 FUNDING ALLOCATION

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Academic Year 2016 Support Fund Allocation<sup>1</sup>



<sup>1</sup>Assumes Co-Chairs' Budget Framework funding of \$635M

# EVALUATION FRAMEWORK AND TIMELINE

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On advice of the workgroup and in line with national best practices a prescribed re-evaluation process for the SSCM was built into the model



Every other year, the HECC, in consultation with stakeholders, will examine definitions, weighting factors and similar items to ensure that unintended consequences are understood and accounted for and adjustments are made if necessary



Every six years the HECC will undertake a more comprehensive process to ensure that the Model reflects the needs of institutions and priority of the state in directing resources



Through the evaluation of institutions with institutional boards the HECC will focus on academic quality financial integrity and productivity of institutions to inform funding model re-evaluations

# WRAP-UP

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- University funding model development began in June 2014 with a meeting of HECC leadership and the Presidents' Council.
- HECC convened a workgroup in June 2014 which developed the evolutionary SSCM.
- The SSCM provides increased stability and predictability to public universities and focuses resources on meeting 40-40-20 and the equity lens through investments in underserved students and degrees in critical fields.
- The SSCM balances mission, enrollment and completion funding.
- Regional support funding is continued and the cost of TRU shared services are funded “off the top”.
- Funding model effectively links state investment with the state's 40-40-20 goal and rewards institutions for focusing on the most at risk Oregonians.

# COMMUNITY COLLEGE FUNDING DISTRIBUTION MODEL

JIM MIDDLETON, Interim Commissioner, CCWD



# THE CONTEXT: CURRENT CC DISTRIBUTION SYSTEM

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With the current system, enrollment at the fourth week of classes, is the only element that counts.

- Functionally, everything else is “worthless” or “irrelevant”

The issue is, “Can we define other elements to complement, not replace, enrollment?”

- Or, are we comfortable that nothing else matters

And ... as we explore this path, can we find the “Goldilocks Point” (*not too much, not too little*) as we look beyond “nothing but 4<sup>th</sup>-week enrollment.”



# CURRENT STATUS

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Decision time extended beyond current legislative session:

- Technical work group established to assess/improve data measure elements for the proposed outcomes.
- Seeking improvements in validity and reliability of measure rather than using existing Achievement Compacts data elements.
- Structure broader stakeholder review and input prior to HECC consideration of OAR changes.

*A pause to doing it right (better) rather than doing it quickly.*

# CURRENT STATUS

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2015/16 – State Resources will be distributed under the existing system – no changes.

2016/17 – Potential first year phase-in of Outcomes Based Funding (if approved by HECC)

- Pending:
  - Technical Work Group activity May – August, 2015
  - Stakeholder input in Sept/October 2015
  - HECC review and approval targeted for December 2015
  - Completion by this date allows HECC/CCWD to provide a “shadow distribution” to show college what would happen with full implementation and phase-in if 2015/16 had been year one of implementation.

# CURRENT SYSTEM

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Calculation considers the total resources available from State funds and local property taxes.

Distribution formula defines amount due to each college based on that college's proportion of total enrollment. *(Calculation uses three-year rolling average to smooth out variation in enrollment.)*

Amount received from local property taxes is subtracted to define State funds to the college.

- Since different colleges have different levels of local tax revenue, proportion of revenue from State varies.

# COMPARISON

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	Current	With Proposed OBF
BASE FUNDING – (amount “off the top” for core operations)	Yes	Yes – no change
Three-year rolling average used for enrollment and outcomes	Yes	Yes
Proportion of Public Resources (State + local) funds based on enrollment	100%	70%
Proportion of Public Resource funds based on outcomes	0%	30%
Adjustment/bonus for underrepresented students	No	Yes
Adjustment/bonus for low income students	No	Yes
“Local Option” system which reflects college differences	Not relevant	Yes

# OUTCOMES CATEGORIES

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1.	Accelerated Learning/Dual Enrollment (HS students)
2.	Developmental/Remedial Ed Success
3.	15 Credits Completed in Year
4.	30 Credits Completed in Year
5.	Certificates and OTM (OR Transfer Modules) Awarded
6.	Degrees Awarded
7.	Transfers
Job Placement and Workforce Training <i>under consideration</i>	

# LOCAL WEIGHTING

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	Minimum	Maximum
Accelerated Learning	8%	15%
Developmental Ed	10%	15%
15 Units	8%	15%
30 Units	10%	15%
Certificates	12%	20%
Degrees	15%	25%
Transfer	12%	20%
	75%	125%

# UNDERREPRESENTED AND LOW INCOME (PELL) ADDITIONAL AWARD

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# PHASE-IN

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2015-16	“Learning Year”
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2016-17	1.5% Stop Loss
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2017-18	3.0% Stop Loss
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2018-19	4.5% Stop Loss
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2019-20	Full implementation
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# POINT OF EMPHASIS

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Even from an advocate's point of view, OBF by itself does not leverage the positive changes needed to benefit students and State.



OBF may be first and necessary step



BUT, support for research, predictive analytics, developing communities of practice, institutional change support, etc. are at least equally important if not more important.

In response, CC Presidents have proposed expanding Strategic Fund from 1% to 1.5%. Approval of Strategic Fund allocation is under HECC authority.