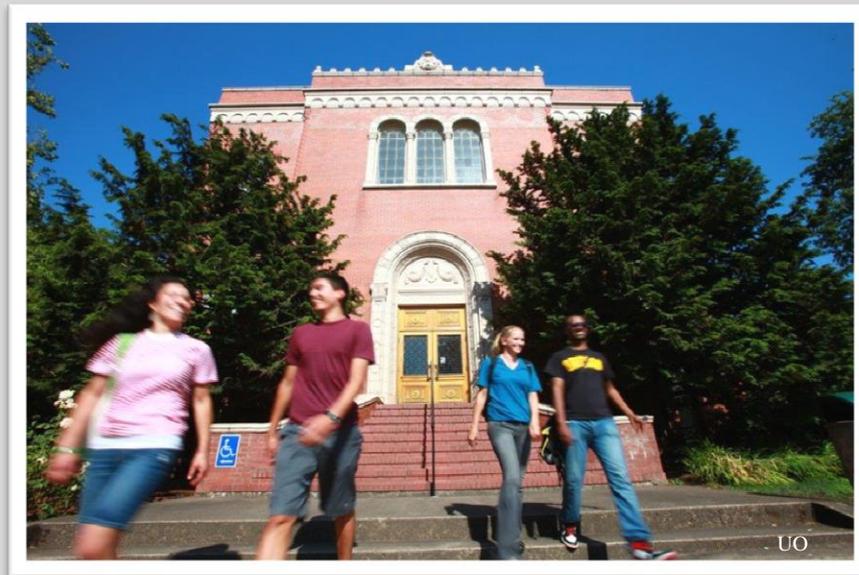


POSTSECONDARY FUNDING DISTRIBUTION MODELS



PRESENTED TO:
JOINT COMMITTEE ON WAYS
AND MEANS,
SUBCOMMITTEE ON
EDUCATION

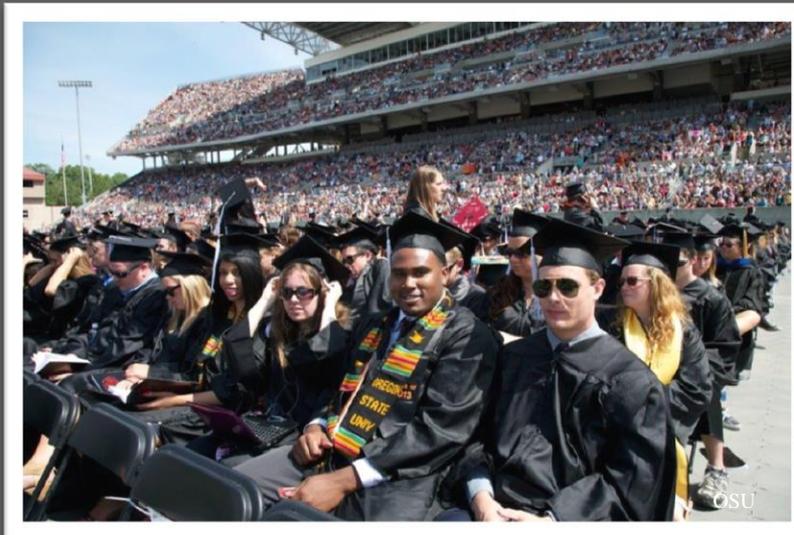


May 13, 2015

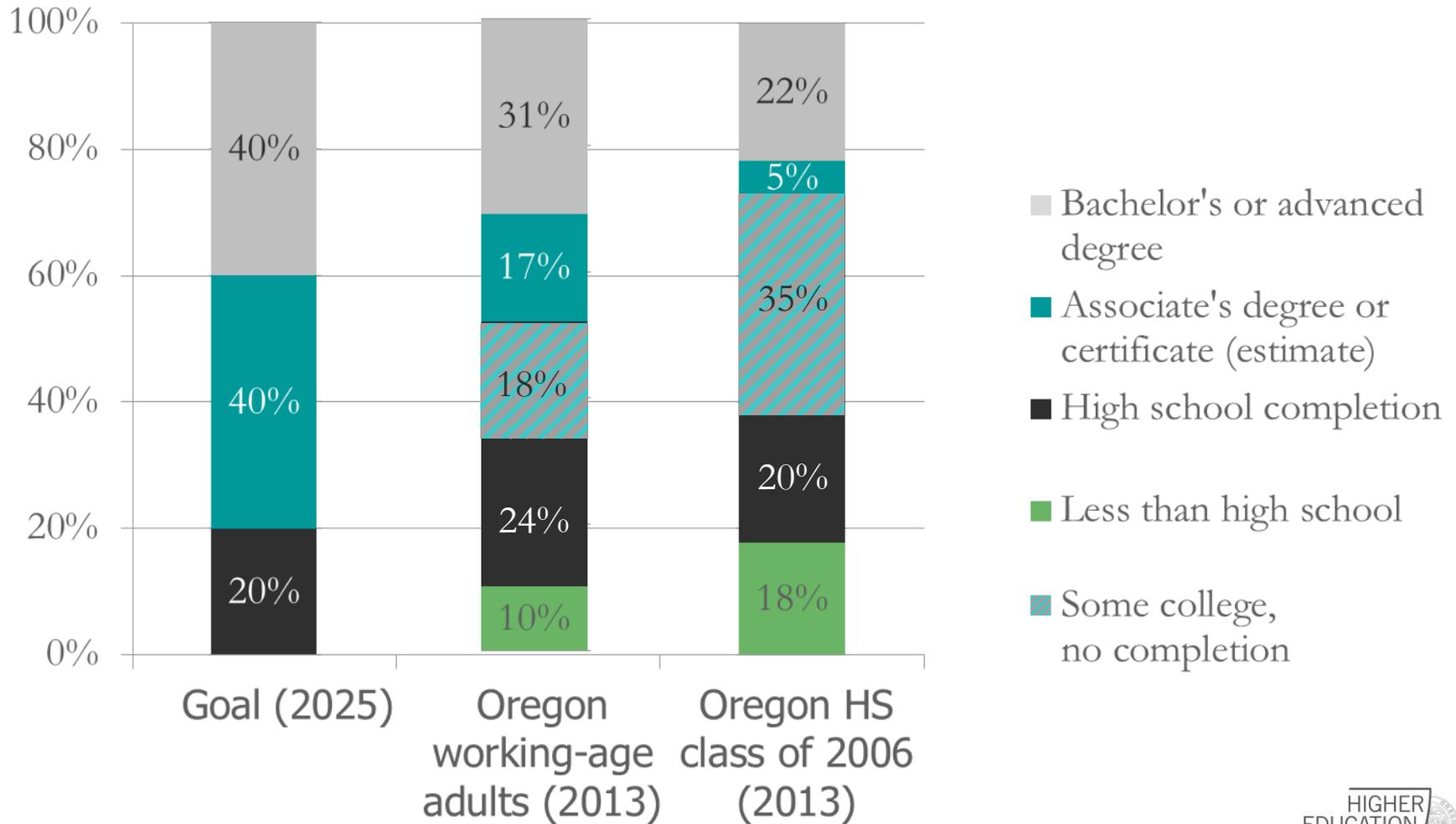
BEN CANNON, Executive Director, HECC; BRIAN FOX, Director, University Budget and Finance; JIM MIDDLETON, Interim Commissioner, CCWD

INTRODUCTION

BEN CANNON, Executive Director, HECC



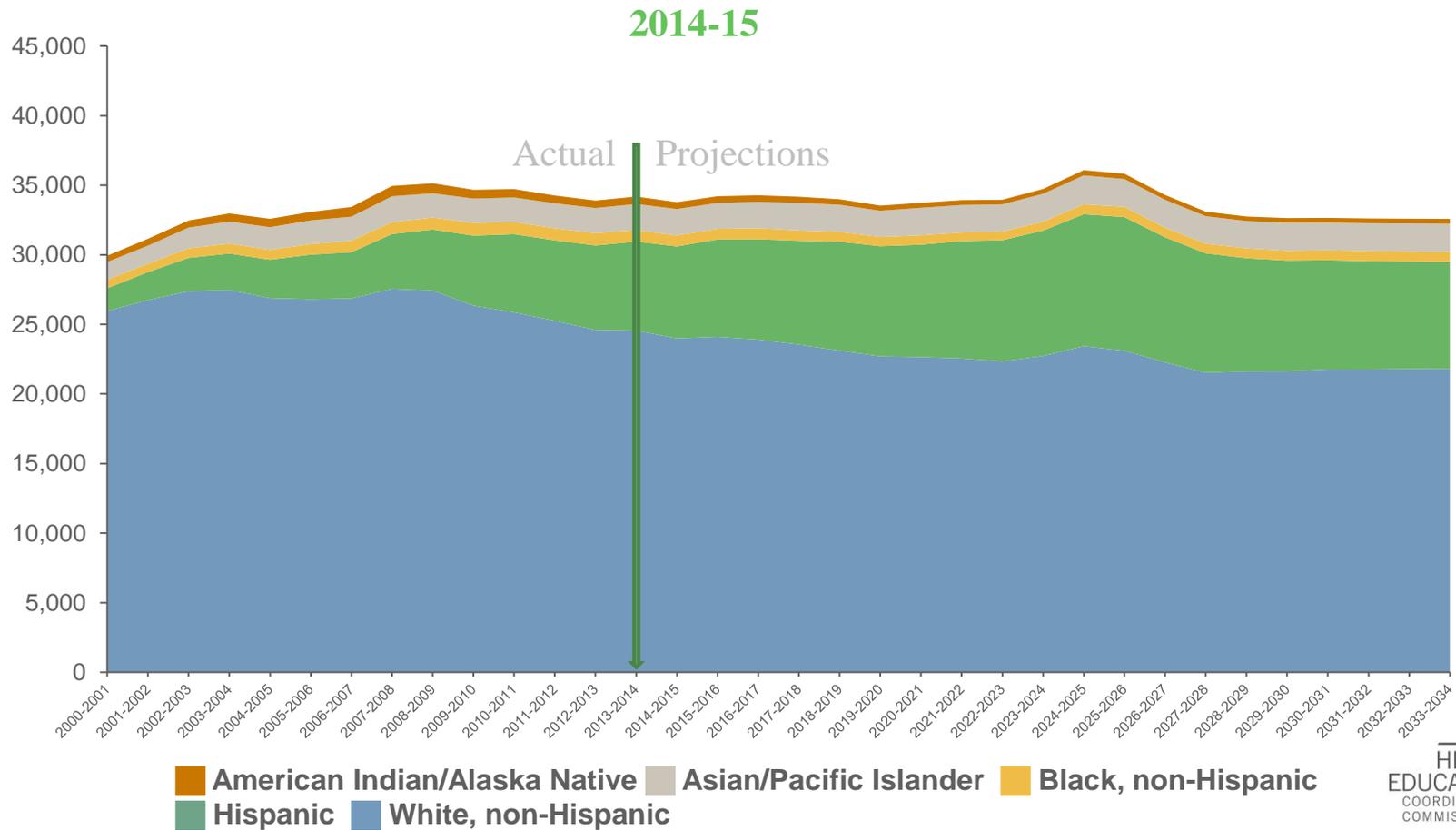
CONTEXT: 40-40-20



Source: HECC analysis of the American Community Survey, ECONW

CONTEXT: INCREASING DIVERSITY

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



*Source: OUS Office of Institutional Research, Projections March 2015



LEGISLATIVE MANDATE AND HECC PROCESS

5

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.

WHAT IS OUTCOMES BASED FUNDING?

6

Outcomes-Based Funding (OBF)

- Links the distribution of state funding 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

7

Primary concerns of stakeholders

- Equity and access
- Degree and program quality

Some HECC considerations

- Fund underrepresented students at a significantly higher rate.
- Conduct annual evaluations of universities that include a robust set of qualitative and quantitative evaluations of academic and programmatic quality.

COMPARING ENROLLMENT AND OUTCOMES FUNDING DISTRIBUTIONS

| | 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) |

OUTCOMES-BASED FUNDING

9

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

DESIGN PRINCIPLES FOR PERFORMANCE FUNDING

10

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

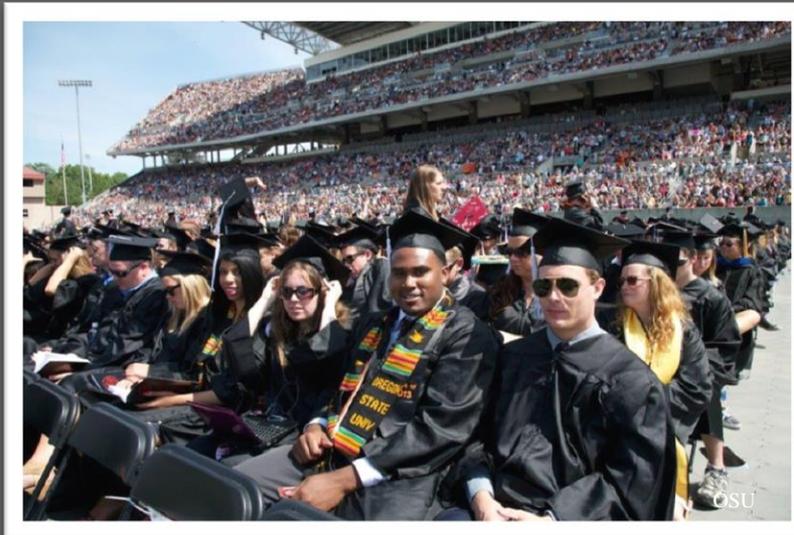
- Begin at the beginning
- Measure what you want to get
- Fund what you measure
- Understand (and appreciate) the angst
- Recognize performance funding as one piece of the puzzle

*<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)

12

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

13

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

14

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

15

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

16

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

17

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

18

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.

EVALUATION FRAMEWORK AND TIMELINE

19

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



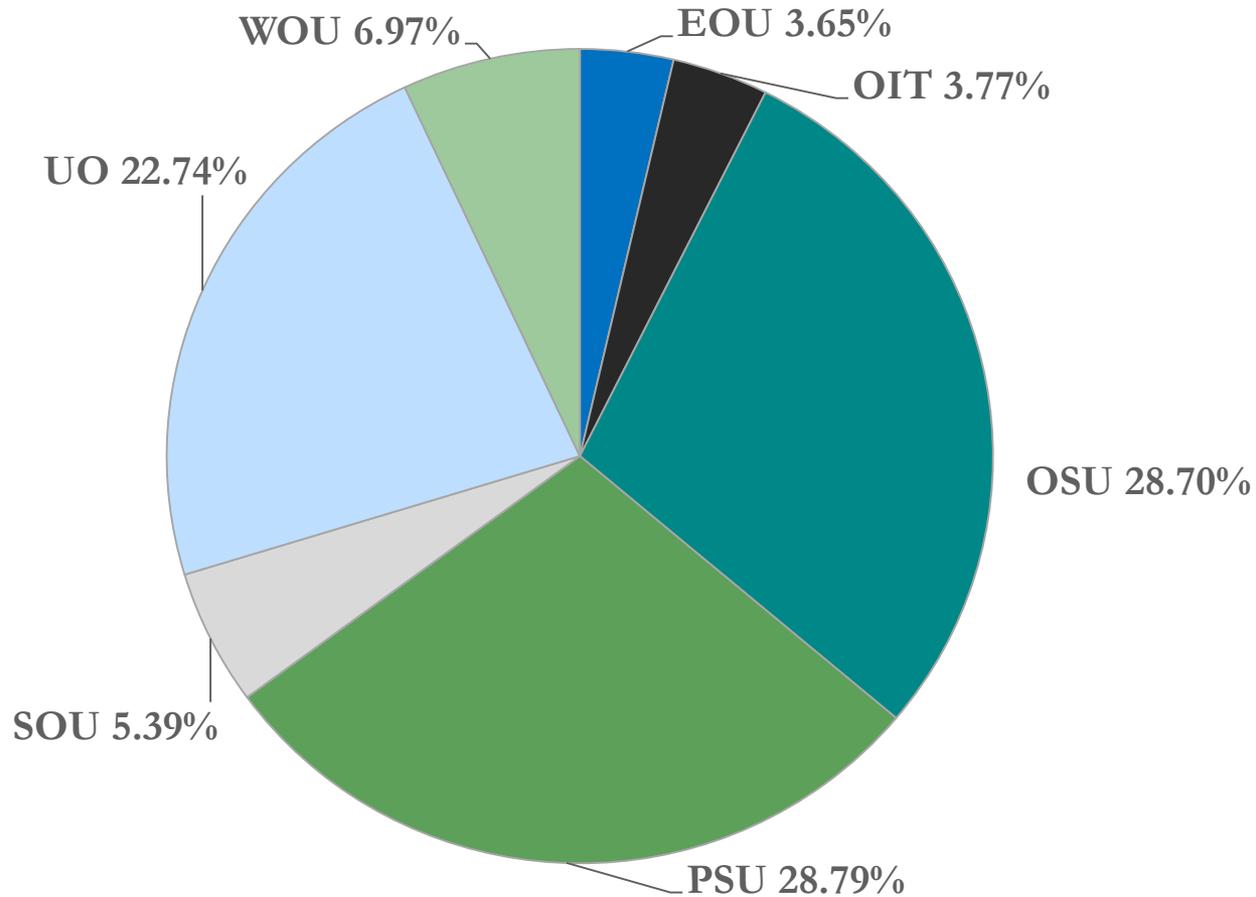
Every six years the HECC will undertake a more comprehensive process to ensure that the Model reflects the needs of institutions and priority of the state in directing resources



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

ENROLLMENT AND COMPLETIONS BY INSTITUTION

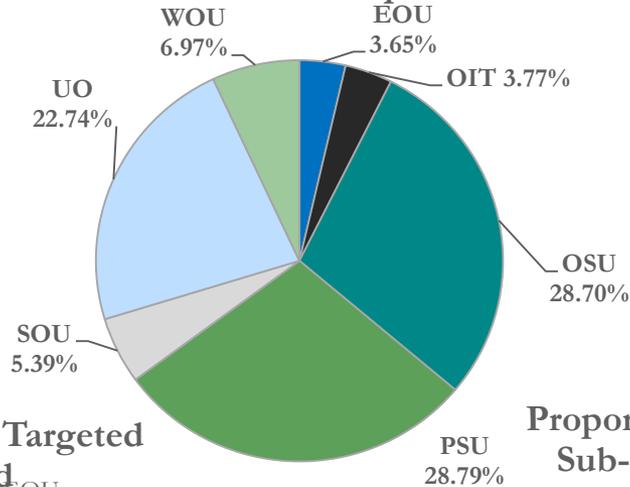
Proportion of Resident Student Credit Hour Completions



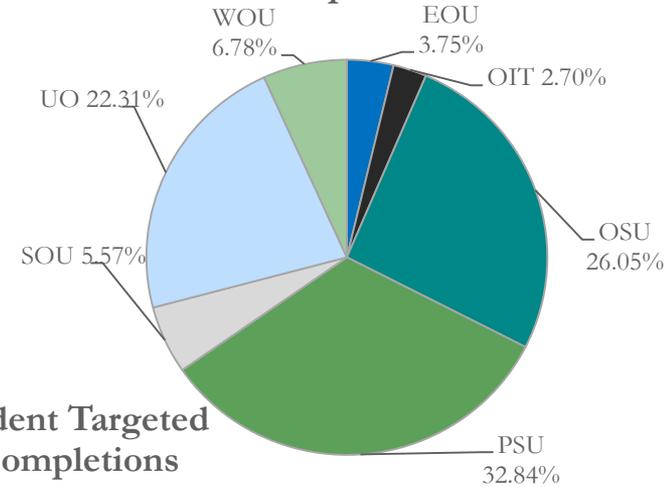
Three-year rolling average of resident SCH production, degrees conferred and degrees conferred to targeted student sub-populations and in targeted fields of study.

ENROLLMENT AND COMPLETIONS BY INSTITUTION

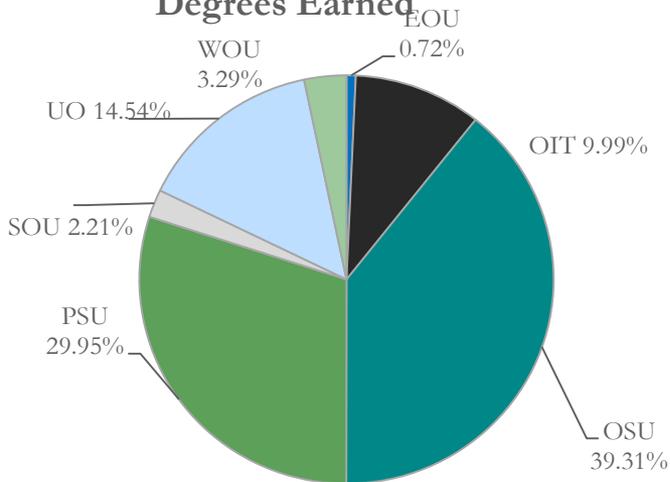
Proportion of Resident Student Credit Hour Completions



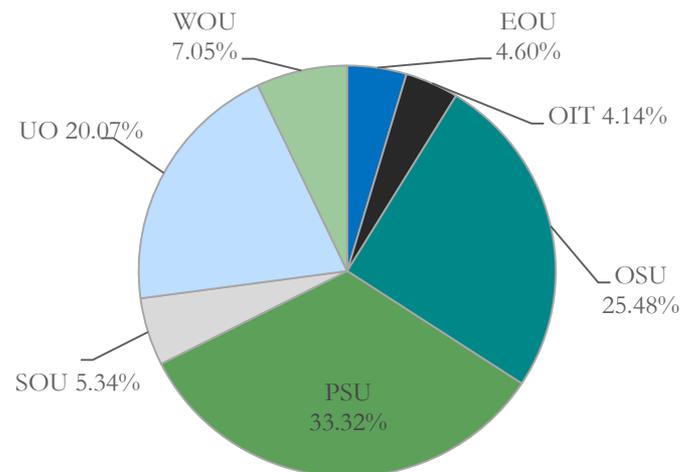
Proportion of Resident Degree Completions



Proportion of Resident Targeted Degrees Earned

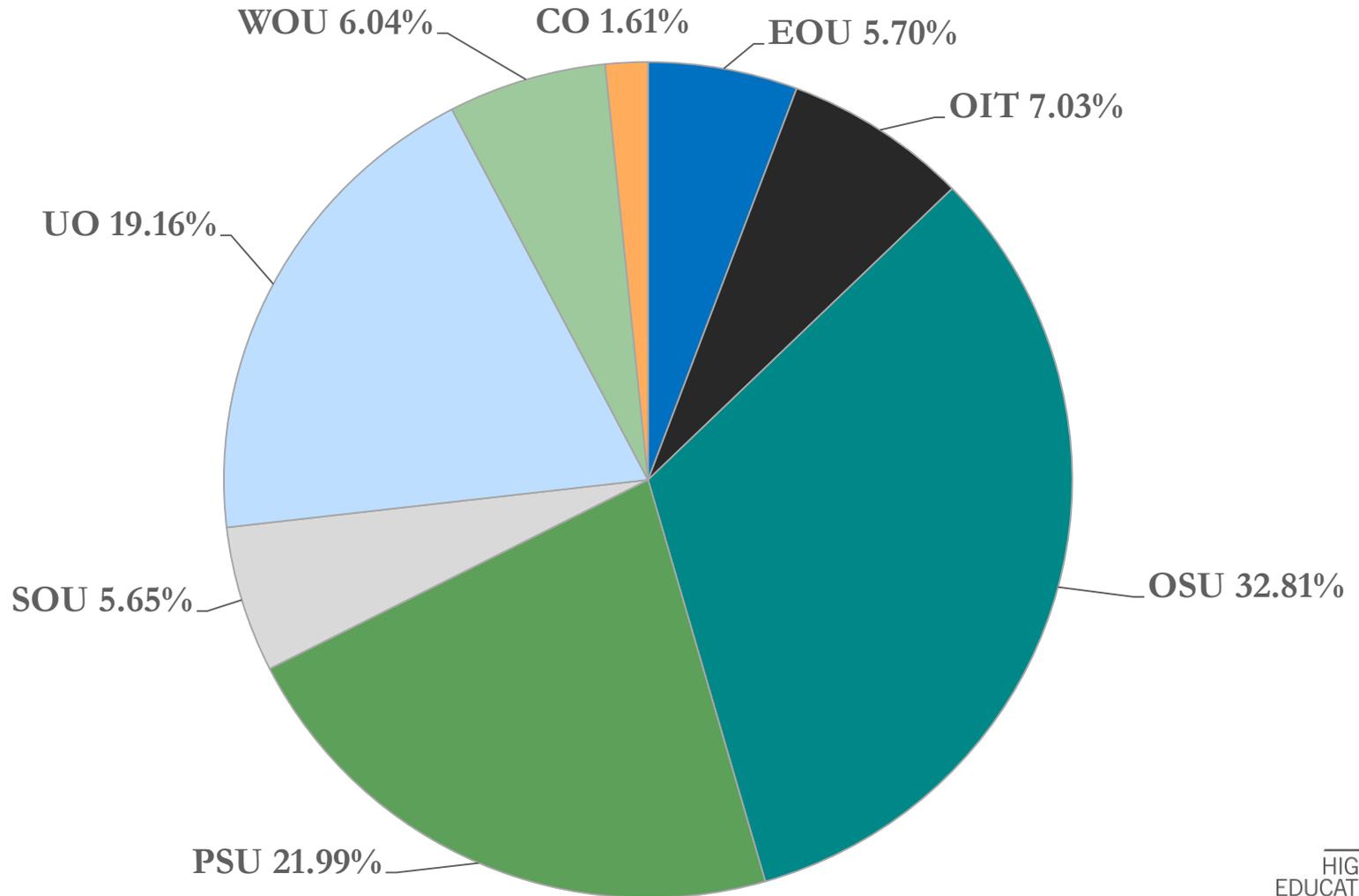


Proportion of Resident Targeted Sub-Population Completions



Three-year rolling average of resident SCH production, degrees conferred and degrees conferred to targeted student sub-populations and in targeted fields of study.

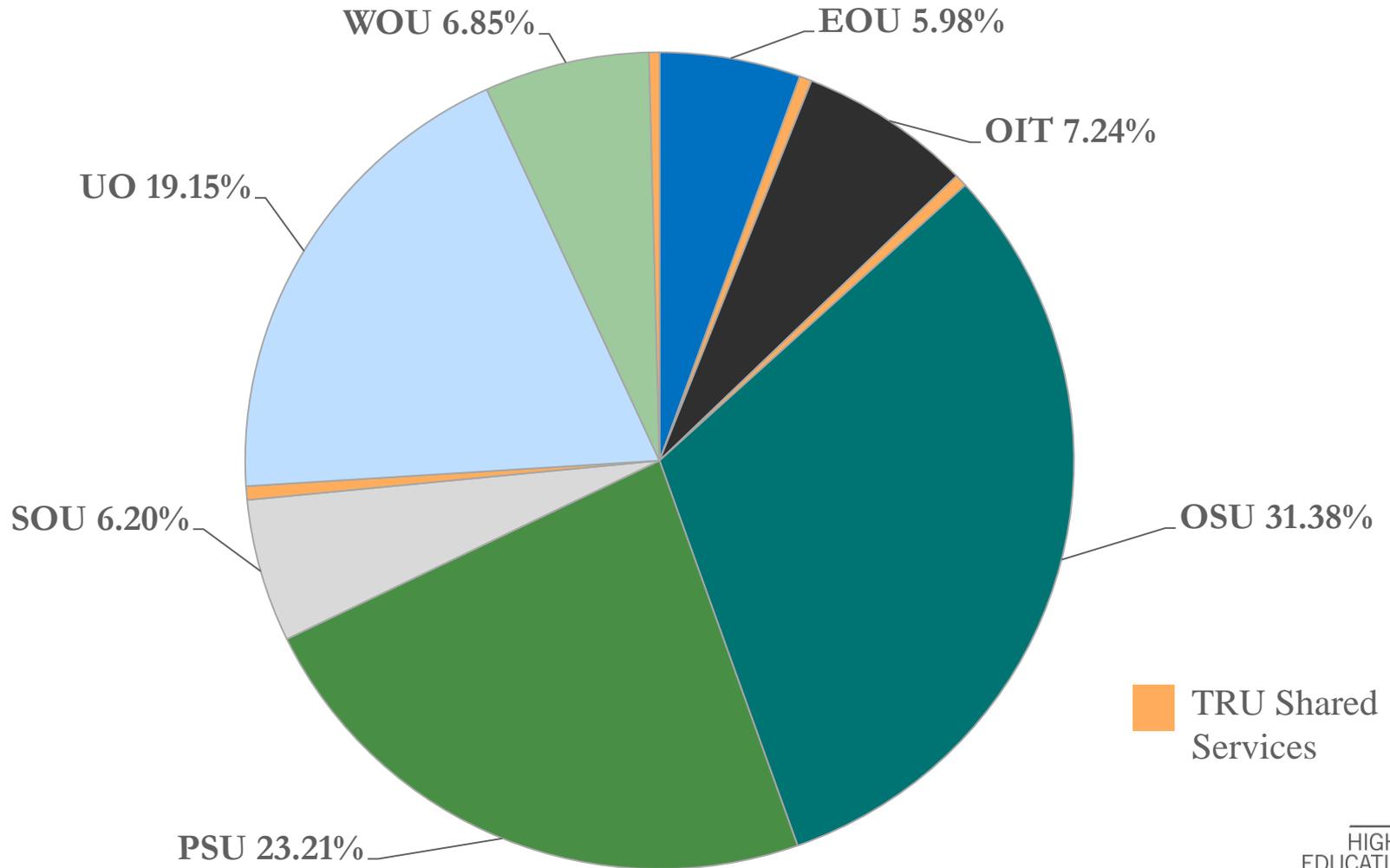
PROPORTIONAL FUNDING BY INSTITUTION – 2013-15



Estimated amount as FY15 settle up will take place during fall of 2015 when final data is available.

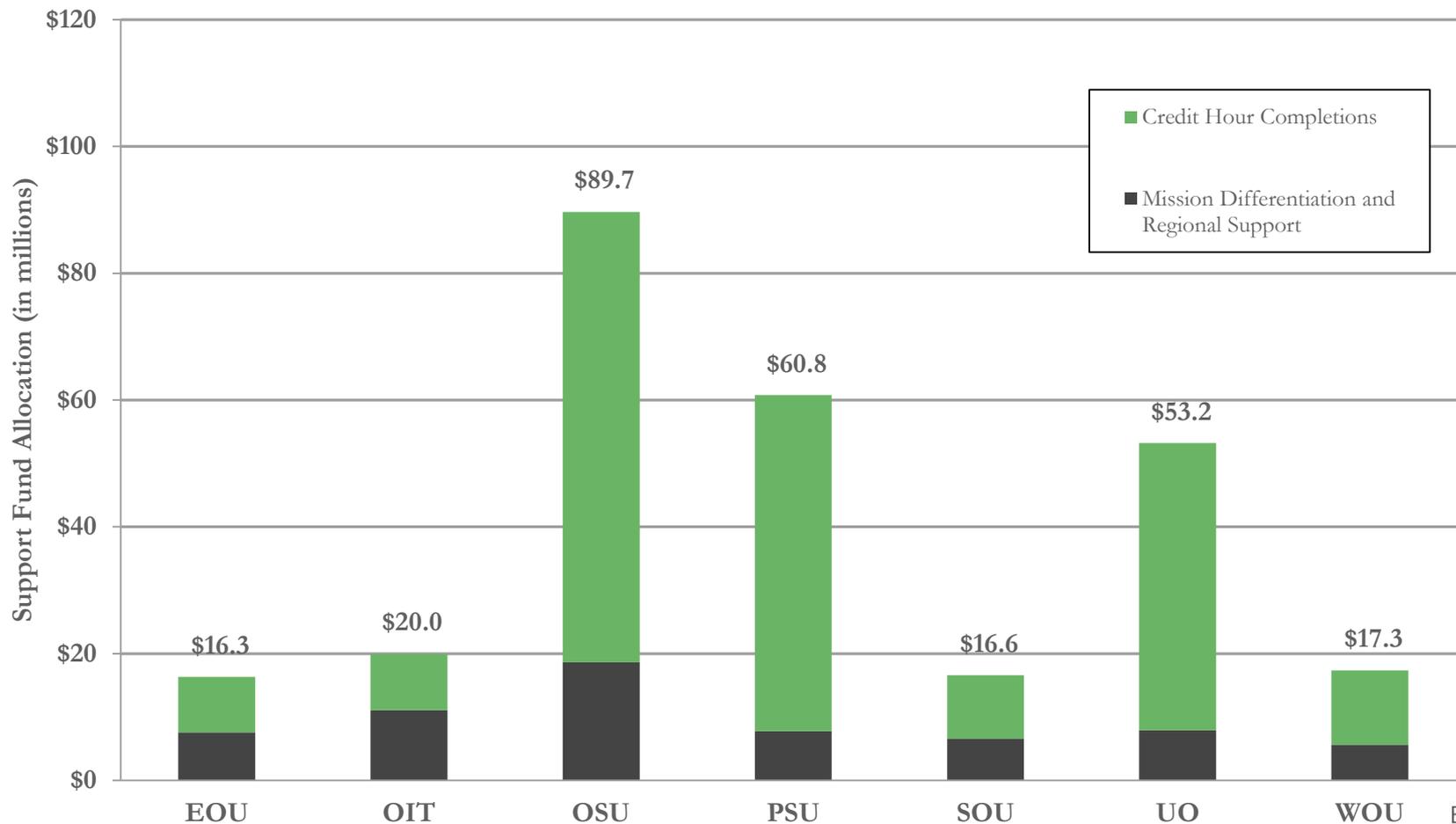
ESTIMATED PROPORTIONAL FUNDING BY INSTITUTION – 2015-17 (CO-CHAIRS')

23



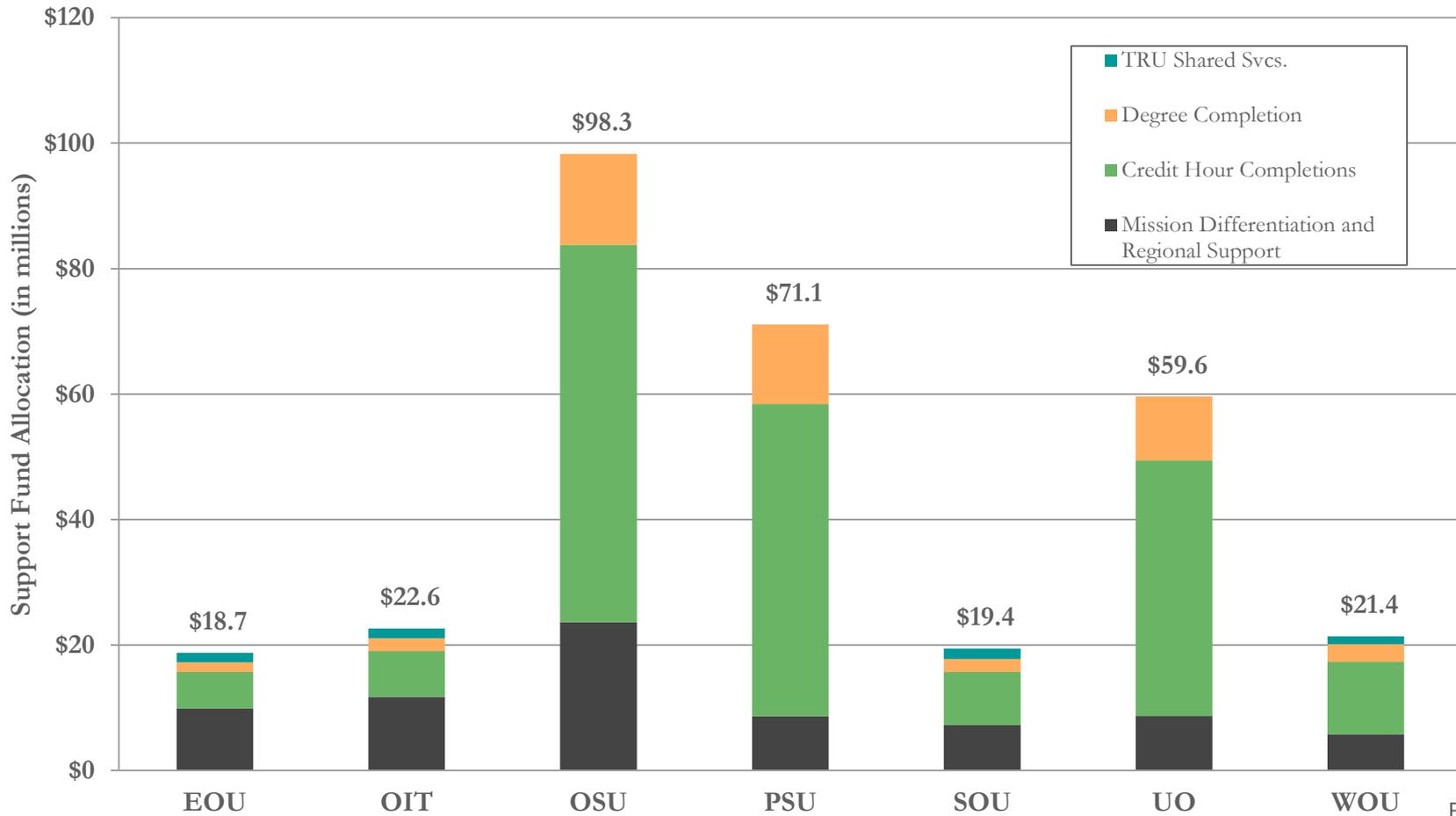
Assumes Co-Chairs' Budget Framework funding of \$635M and historical enrollment and completion information

2015 FUNDING ALLOCATION



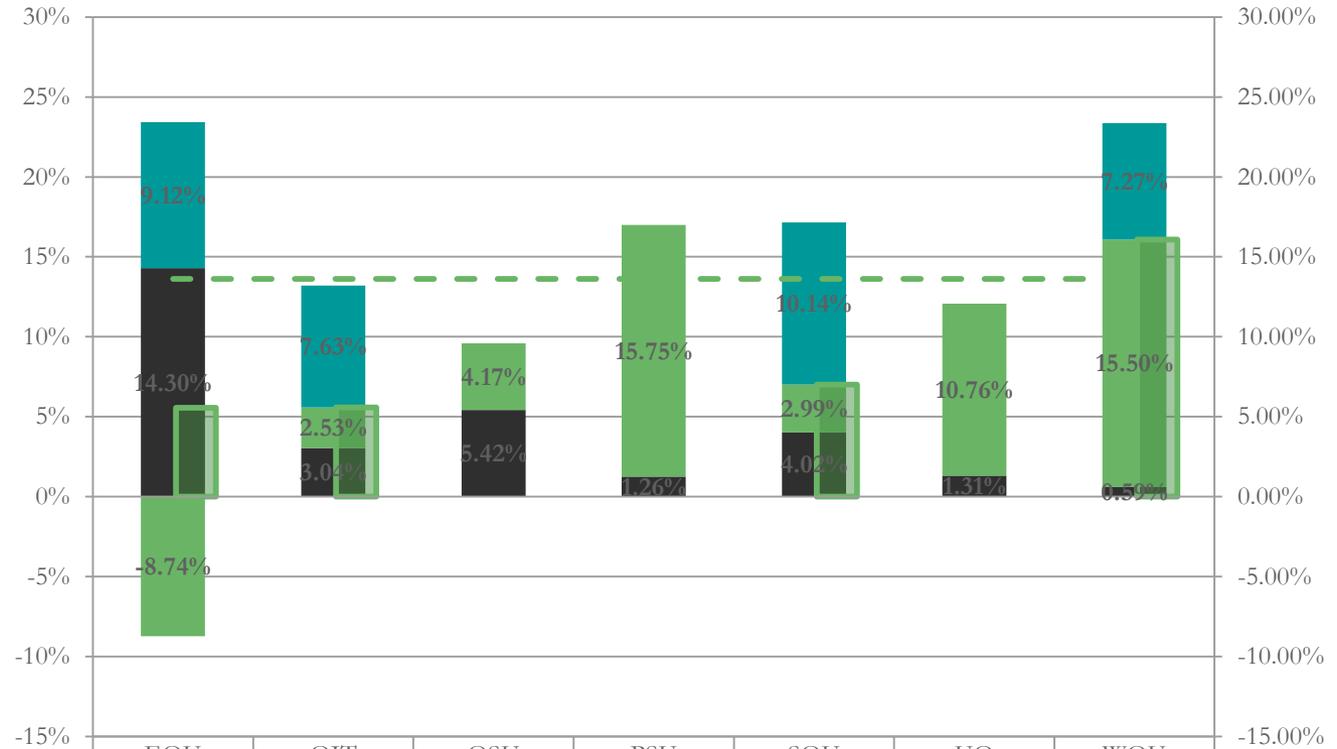
Estimated amount as FY15 settle up will take place during fall of 2015 when final data is available.

2016 ESTIMATED FUNDING ALLOCATION CO-CHAIRS' BUDGET - \$635M



Assumes Co-Chairs' Budget Framework funding of \$635M and historical enrollment and completion information

ESTIMATED FUNDING INCREASE FROM FY15 TO FY16 (CO-CHAIRS')



| | EOU | OIT | OSU | PSU | SOU | UO | WOU |
|--|--------|--------|--------|--------|--------|--------|--------|
| Shared Services | 9.12% | 7.63% | 0.00% | 0.00% | 10.14% | 0.00% | 7.27% |
| Degree and Credit Completion Differentiation | -8.74% | 2.53% | 4.17% | 15.75% | 2.99% | 10.76% | 15.50% |
| Mission Differentiation | 14.30% | 3.04% | 5.42% | 1.26% | 4.02% | 1.31% | 0.59% |
| Total Allocation | 14.68% | 13.20% | 9.59% | 17.00% | 17.15% | 12.06% | 23.37% |
| Allocation without Shared Services | 5.55% | 5.58% | 9.59% | 17.00% | 7.01% | 12.06% | 16.09% |
| 'Average change' | 13.61% | 13.61% | 13.61% | 13.61% | 13.61% | 13.61% | 13.61% |

WRAP-UP

27

- 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

29

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 4th-week enrollment.”

CURRENT STATUS

30

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

31

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

32

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.

PROPORTION OF FUNDS BY CATEGORY

33

Based on Assumed Funding at \$535M

| | Base | Enrollment | Outcome | Total |
|-------------------------|-------------------------------|------------|---------|-------|
| | % of Amount for Distributions | | | |
| Current System | 5% | 95% | 0% | 100% |
| Outcomes Draft Proposal | 5% | 65% | 30% | 100% |

PROPORTION OF FUNDS BY CATEGORY AND COLLEGE WITH FUNDING AT \$535M

Current System

Proposed Draft Proposal

| College | Current System | | | | | Proposed Draft Proposal | | | | |
|---------------------|----------------|------------|--------------|---------|-------|-------------------------|------------|--------------|---------|-------|
| | Base | Enrollment | Property Tax | Outcome | Total | Base | Enrollment | Property Tax | Outcome | Total |
| Blue Mountain | 8% | 42% | 50% | 0% | 100% | 8% | 24% | 49% | 19% | 100% |
| Central Oregon | 3% | 34% | 63% | 0% | 100% | 3% | 15% | 61% | 21% | 100% |
| Chemeketa | 2% | 59% | 39% | 0% | 100% | 2% | 40% | 39% | 19% | 100% |
| Clackamas | 3% | 41% | 56% | 0% | 100% | 3% | 22% | 57% | 19% | 100% |
| Clatsop | 15% | 18% | 66% | 0% | 100% | 16% | 2% | 69% | 14% | 100% |
| Columbia Gorge | 19% | 61% | 20% | 0% | 100% | 19% | 45% | 21% | 16% | 100% |
| Klamath | 12% | 61% | 27% | 0% | 100% | 13% | 45% | 27% | 15% | 100% |
| Lane | 2% | 62% | 36% | 0% | 100% | 2% | 44% | 37% | 18% | 100% |
| Linn Benton | 3% | 68% | 29% | 0% | 100% | 3% | 49% | 28% | 20% | 100% |
| Mt. Hood | 2% | 67% | 31% | 0% | 100% | 2% | 49% | 31% | 18% | 100% |
| Oregon Coast | 27% | 31% | 42% | 0% | 100% | 28% | 18% | 43% | 11% | 100% |
| Portland | 1% | 71% | 28% | 0% | 100% | 1% | 51% | 28% | 20% | 100% |
| Rogue | 4% | 39% | 57% | 0% | 100% | 3% | 20% | 56% | 21% | 100% |
| Southwestern Oregon | 6% | 49% | 44% | 0% | 100% | 7% | 33% | 46% | 14% | 100% |
| Tillamook Bay | 31% | 20% | 49% | 0% | 100% | 32% | 7% | 51% | 9% | 100% |
| Treasure Valley | 10% | 68% | 22% | 0% | 100% | 9% | 49% | 22% | 20% | 100% |
| Umpqua | 6% | 68% | 26% | 0% | 100% | 6% | 51% | 27% | 16% | 100% |

COMPARISON

| | 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

36

| | |
|---|--|
| 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

37

| | 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

38



PHASE-IN

39

2015-16 “Learning Year”

2016-17 1.5% Stop Loss

2017-18 3.0% Stop Loss

2018-19 4.5% Stop Loss

2019-20 Full implementation

POINT OF EMPHASIS

40

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.