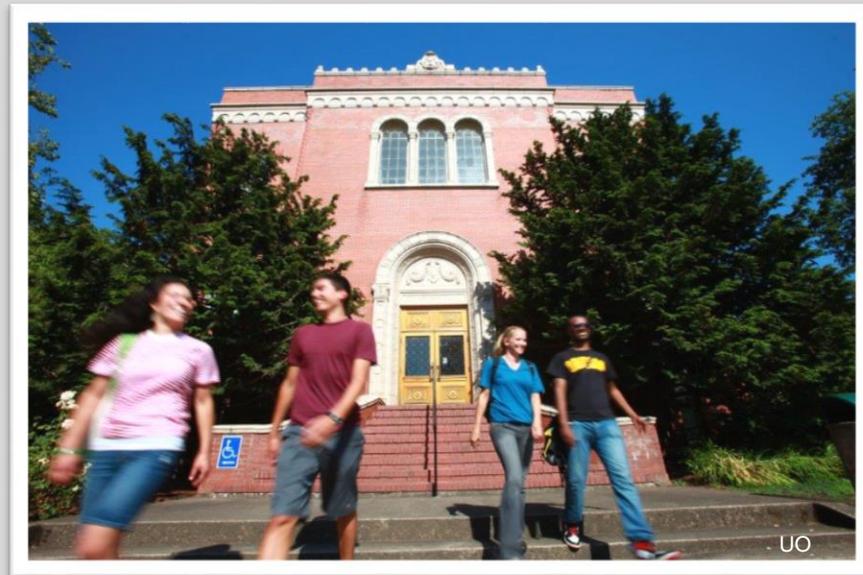
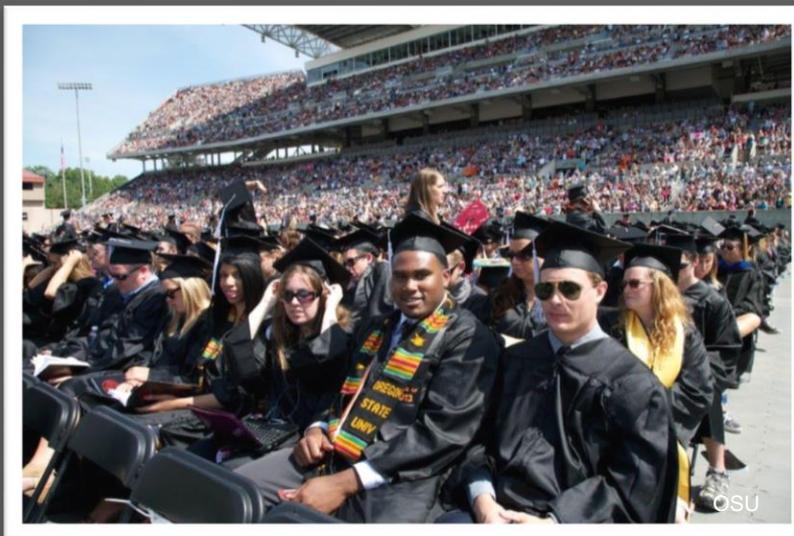


POSTSECONDARY FUNDING DISTRIBUTION MODELS



January 21, 2016

INTRODUCTION



INTRODUCTION AND GOALS

3

- Outline the previous Resource Allocation Model (RAM) utilized by the Oregon University System
- Provide an overview of the process the HECC undertook to develop the Student Success and Completion Model (SSCM)
- Provide an overview of the SSCM adopted by the HECC for distributing resources to the seven public universities

THE RESOURCE ALLOCATION MODEL (RAM)

4

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

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

- The majority of funds flowed through a cost-weighted enrollment driven formula (84%)
- A set of line items, including Regional Support, Research and Public Service were supported (14.5%)
- A small incentive fund for student success allocated resources based on degrees completed and emphasizes underrepresented minority or rural students (1.5%)

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

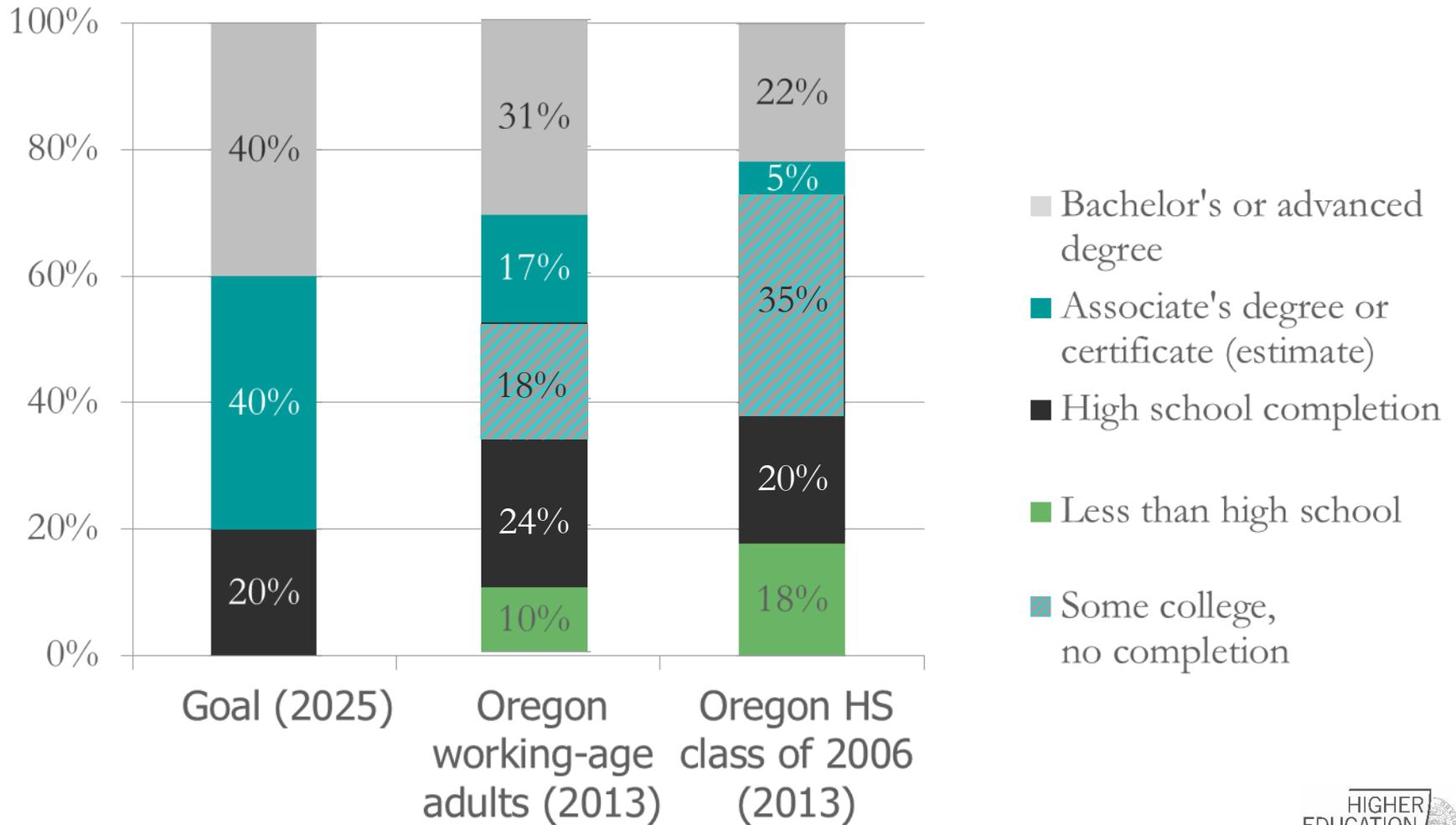
LEGISLATIVE MANDATE AND HECC PROCESS

5

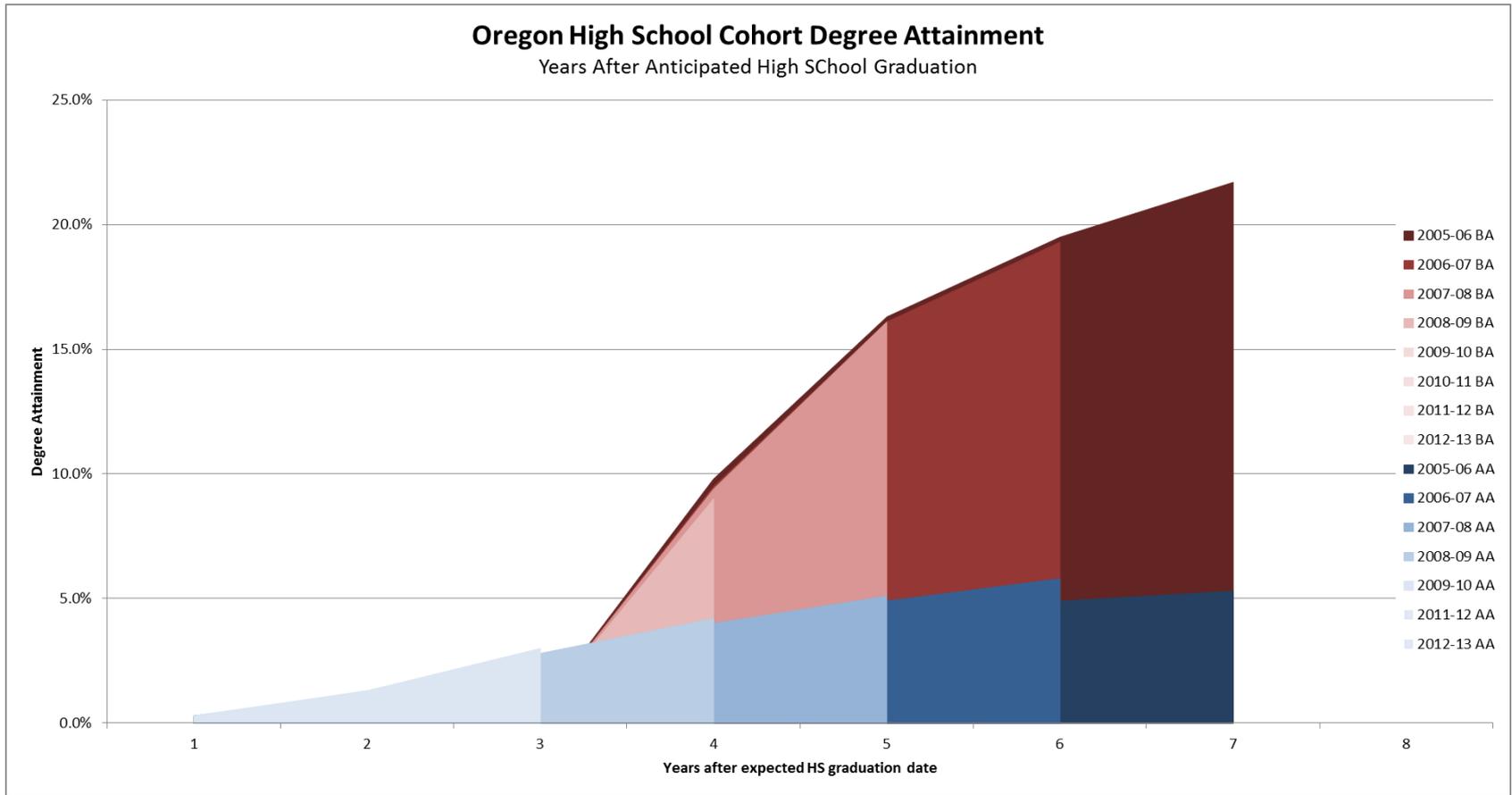
ORS 350.075(3)(iii)(f)

- 3) The Higher Education Coordinating Commission shall:
 - f) 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 2014.
 - 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.

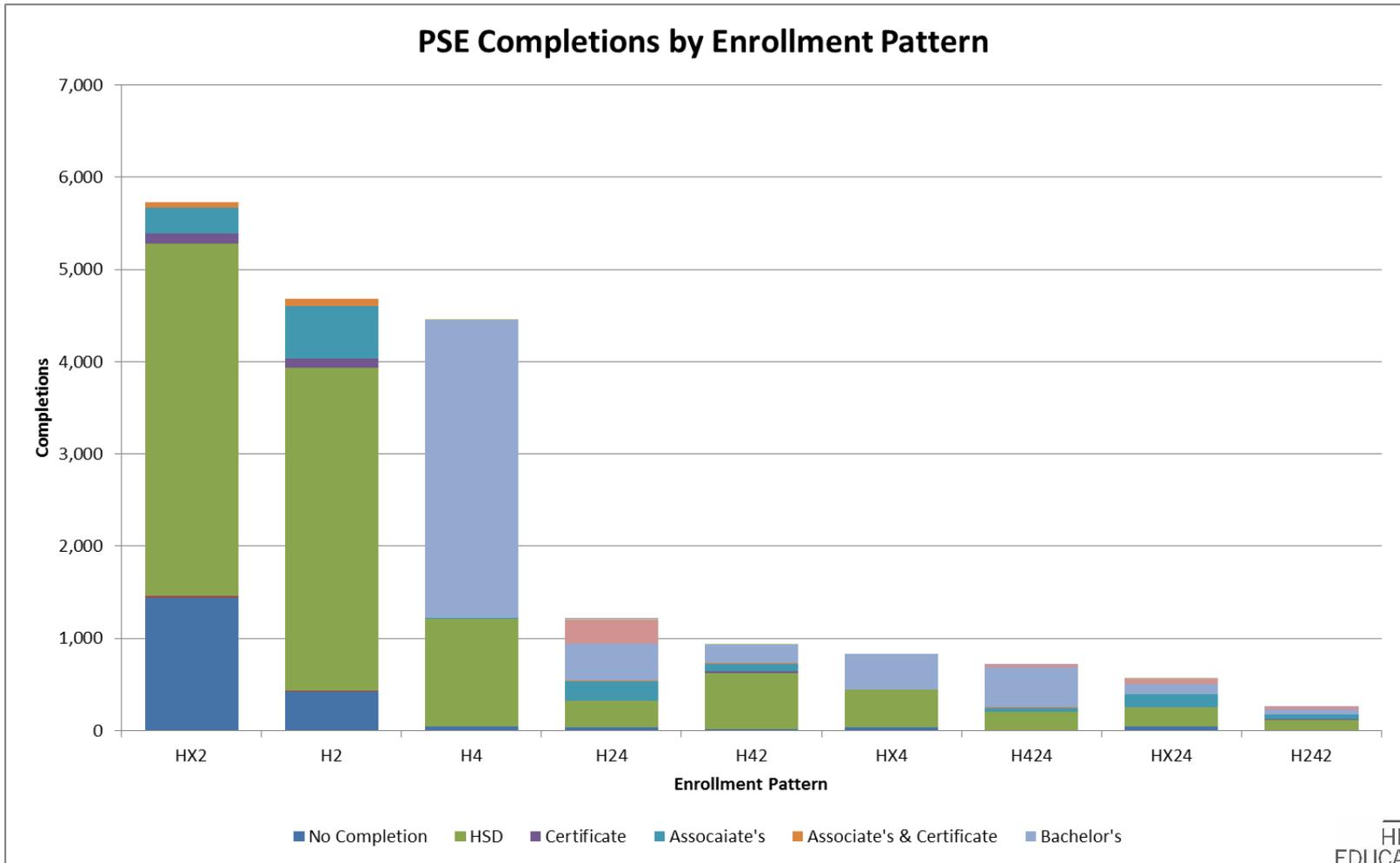
CONTEXT: 40-40-20



CONTEXT: ACADEMIC ACHIEVEMENT

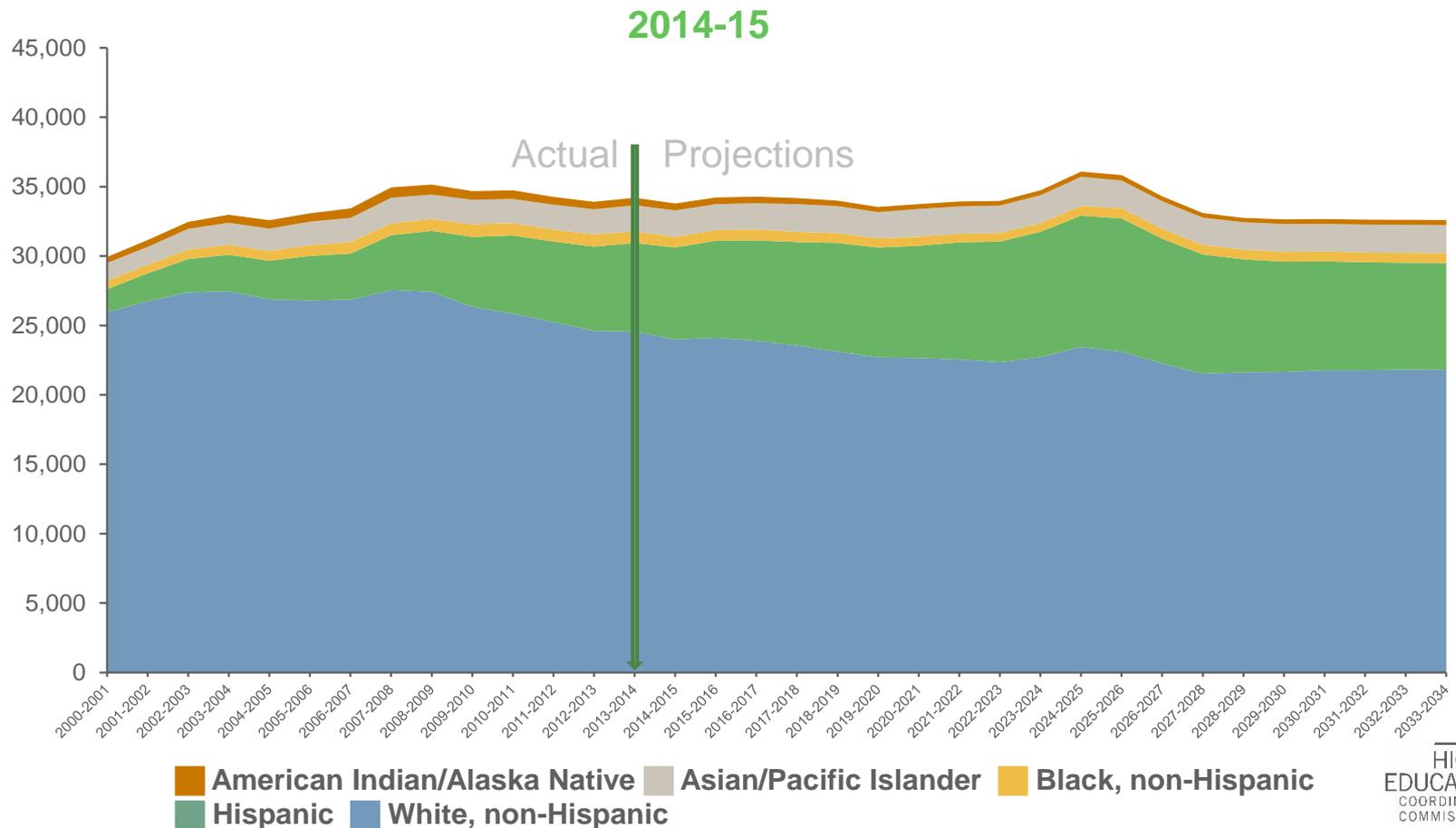


CONTEXT: COMPLETION



CONTEXT: INCREASING DIVERSITY

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



HECC'S GOALS FOR OBF

10

Old Paradigm	New Paradigm
The public system is managed to sustain institutions	The public system is organized to maximize student success
Constraints in state budgeting encourage cost shifts to institutions and students that obfuscate issues of capacity and affordability	Impacts of constraints in state budgeting on institutions and students will be clarified
State provides resources to institutions based on enrollment	Increasingly, state provides resources to institutions to maximize learning outcomes and student success
Centralized governance and management of universities	Centralized coordination; local governance and management

WHAT IS OUTCOMES BASED FUNDING?

11

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

26 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 and Arizona recently approved a much expanded outcomes based funding formula for 4 year institutions.

COMMON CONCERNS

12

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.

OUTCOMES-BASED FUNDING

13

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 they should reflect the state's particular higher education context

DESIGN PRINCIPLES FOR PERFORMANCE FUNDING

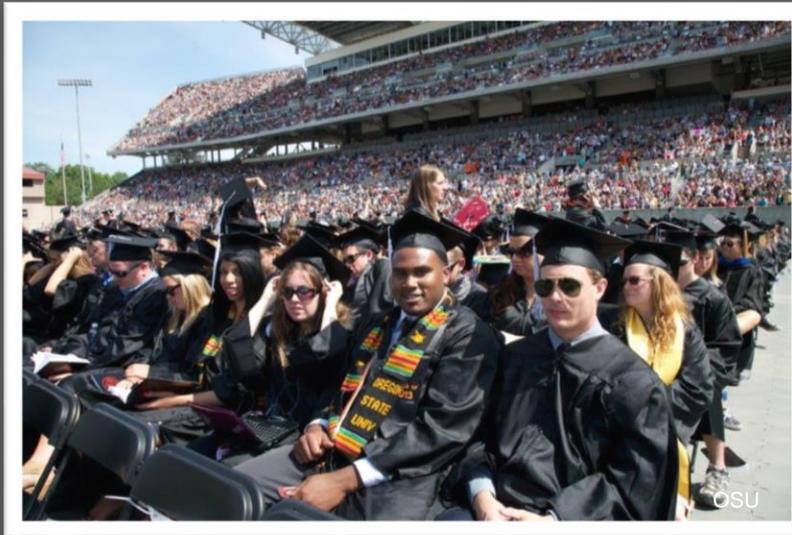
14

Outcomes Based Funding; the Wave of Implementation

-Dennis Jones, NCHEMS

- 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

UNIVERSITY STUDENT SUCCESS AND COMPLETION MODEL



HECC PRINCIPLES AND PRIORITIES

16

- Important to recognize that budgeting is *the* key measurement priority
- Any changes in funding model will impact the relative funding level of institutions
- Debate and discussion should focus on the policy priorities of the HECC, and how those are imbedded within the model, and to what degree certain items ought to be emphasized over others

WORKGROUP'S PROCESS & OUTCOMES

17

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 2014 and through an iterative process delivered the fully developed SSCM to HECC staff in February 2015.

STUDENT SUCCESS AND COMPLETION MODEL

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

- **Mission Differentiation Funding** supporting the 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 the prior enrollment-based Resource Allocation Model (RAM) to the 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

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

SSCM MODEL SUMMARY – FUNCTION

19

- Provides resources for “base” support for Mission, Research and Regional needs
- Allocates appropriations across institutions by performing Outcomes-Based calculations that incorporate:
 - Weighting factors
 - Outcome data
- Allocates appropriations across institutions by performing Activity-Based calculations that incorporate:
 - Course instruction cost
 - Student Credit Hour (SCH) completion
- Additional capabilities:
 - Compares each institution’s allocation to prior year
 - Stop Loss – redistributes a portion of the post-OBF allocation to provide each institution support equal to or greater than a percentage of prior year allocation
 - Stop Gain – redistributes a portion of the post-OBF allocation if an institution receives allocation less than or equal to a percentage of prior year allocation

SSCM MODEL SUMMARY – METHOD

20

- Total PUSF Appropriations – Base =
(Outcomes-Based Funding + Activity-Based Funding)
- OBF & ABF pools are allocated similarly:
 - Institutional performance x weighting factors = weighted total outcomes/activity basis
 - The entire OBF/ABF pool is allocated among institutions according to their respective ratio of performance points
- The Stop Loss and/or Stop Gain functions can then redistribute a portion of allocations to keep all institutions within a bracketed amount of change
- The model uses three-year rolling averages to balance predictability and responsiveness

SSCM MODEL SUMMARY – KEY POLICY AREAS

21

- **Base/Outcomes/Activity split** – Of the non-base allocation, in the long-term how much of the total funding should be Outcomes-Based?
- **Factor weights** – Relative weights may be assigned to both Outcome and Activity measures. What is the appropriate weighting scheme?
 - Cost weighting structure embedded within the model
 - Priority of degrees and degree levels
 - Priority of student sub-populations
 - Priority of degree types
- **Transition Period/Stop Loss and Stop Gain Utilization**– Should an institution’s future allocation be adjusted based on its previous allocation? What magnitude of allocation change is acceptable and over what time period?

SSCM MODEL SUMMARY - DATA

22

- **Degree information** – used for Outcomes-Based calculations
 - 3-year average of RESIDENT¹ degrees awarded, organized by institution, degree level, field of study (CIP)
 - Sub-population statistics of degree recipients, organized by institution and number of sub-populations each student represents (more on this later)
- **SCH information** – used for Activity-Based calculation
 - 3-year average of RESIDENT¹ SCH completions, organized by institution, degree level, field of study (CIP)
- **FY 15 RAM/Prior year allocation**
 - Allocation for Regional Support, Mission, and Research are determined by FY 15 RAM
 - Stop Loss calculations based on prior year allocation (RAM for FY 15, new model FY 16 and through transition period)
- **Cost-of-instruction data** – Used to weight SCH and degree outcomes data according to their relative costs

¹ Non-Resident PhD students are included in PhD level calculations

MISSION DIFFERENTIATION ALLOCATION

23

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), Oregon Wide Area Network (UO)

Funding indexed to Portland CPI/legislative funding

Mission Differentiation Funding comes “off the top”

TRU Shared Services will be incorporated into Regional Support allocation.

RATIONALE – MISSION DIFFERENTIATION ALLOCATION

24

■ Research

- Major portion of mission, particularly at the three research universities
- Serves key economic development and innovation needs of the state

■ Mission

- Provides funding for non-instructional public service mission
- Could include base support for certain niche high-cost programs

■ Regional Support

- Provides resources for higher cost mission of the four TRU universities which serve a unique and critical public policy purpose

ACTIVITY BASED ALLOCATION

25

Utilizes cost-based weighting factor for student credit hours

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

RATIONALE – ACTIVITY-BASED ALLOCATION

26

- Replicated cost-based weighting factor approach to SCH allocation
- Used as a bridge to transition from current enrollment based funding model to future completion based outcomes model
- Supports and incentivizes enrollment, and provides intermediate payment

COMPLETION FOCUSED ALLOCATION

27

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

RATIONALE – COMPLETION-FOCUSED ALLOCATION

28

- More tightly link state incentives to state's investment in the 40-40-20 goal
- Matches “Tight-Loose” investment framework
- Creates reward for institutional investment in student services and attracting and retaining equity lens students
- Focuses institutional and state discussion and accountability on student success.

RATIONALE – OUTCOME METRICS

29

■ Degrees

- Investments in degree outcomes enjoyed overwhelming support of all TWG participants
- Simple, un-“game-able” measure
- Strongly incentivizes transfer & articulation, aligning student pathways
- Focuses on high-quality offerings and investing in student success
- All levels (BA, MA, Prof., PhD) are important to Oregon and the Oregon economy. Cannot meet goals of top-40 without advanced degrees.

RATIONALE – OUTCOME METRICS

30

- Student sub-populations – key to meeting equity lens goals and meeting demographic challenges
 - Include:
 - Underrepresented minority students
 - Low income students (Pell recipients)
 - Rural students
 - Veteran students
 - Additive Methodology
 - Student completion in any 1 category receives additional weighting
 - All based on three year rolling average.
 - Targeted sub-populations need additional resources/offer unique challenges and are more expensive to serve, yet are key to 40-40-20

RATIONALE – DEGREE TYPE

31

- Oregon Employment Department forecasts for high-wage/high-demand occupations
- Nearly all STEM, health or business related
- Create reward for institution to focus on critical areas of the State's economy
- Bilingual Education included as key need for K-12 partners
- This section will require periodic evaluation process

RATIONALE – DEGREE TYPE

Figure 4: High-wage/high-demand occupations requiring at least postsecondary training

OED Priority Rank	Occupation	Total openings 2012-2017	Competitive education level
16	General and Operations Managers	3,470	Bachelor's
11	Accountants and Auditors	2,662	Bachelor's
5	Carpenters	2,303	Post-secondary training
16	Physicians and Surgeons	1,794	Advanced
4	Industrial Machinery Mechanics	1,118	Post-secondary training
16	Computer Systems Analysts	973	Bachelor's
16	Cost Estimators	879	Bachelor's
16	Welders, Cutters, Solderers, and Brazers	802	Post-secondary training
16	Computer Occupations, All Other	800	Bachelor's
10	Machinists	751	Post-secondary training
5	Sales Managers	715	Bachelor's
16	Pharmacists	704	Advanced
3	Medical and Health Services Managers	661	Advanced
5	Industrial Engineers	656	Advanced
16	Operating Engineers and Other Construction Equipment Operators	642	Post-secondary training
5	Computer Hardware Engineers	621	Advanced
5	Marketing Managers	604	Bachelor's
11	Construction Managers	600	Bachelor's
1	Physical Therapists	591	Advanced
16	Firefighters	585	Associate's
16	Librarians	317	Advanced
2	Medical and Clinical Laboratory Technologists	297	Bachelor's
11	Veterinarians	272	Advanced
11	Urban and Regional Planners	268	Advanced
11	Medical and Clinical Laboratory Technicians	265	Associate's

Source: ECONorthwest analysis of OED data.

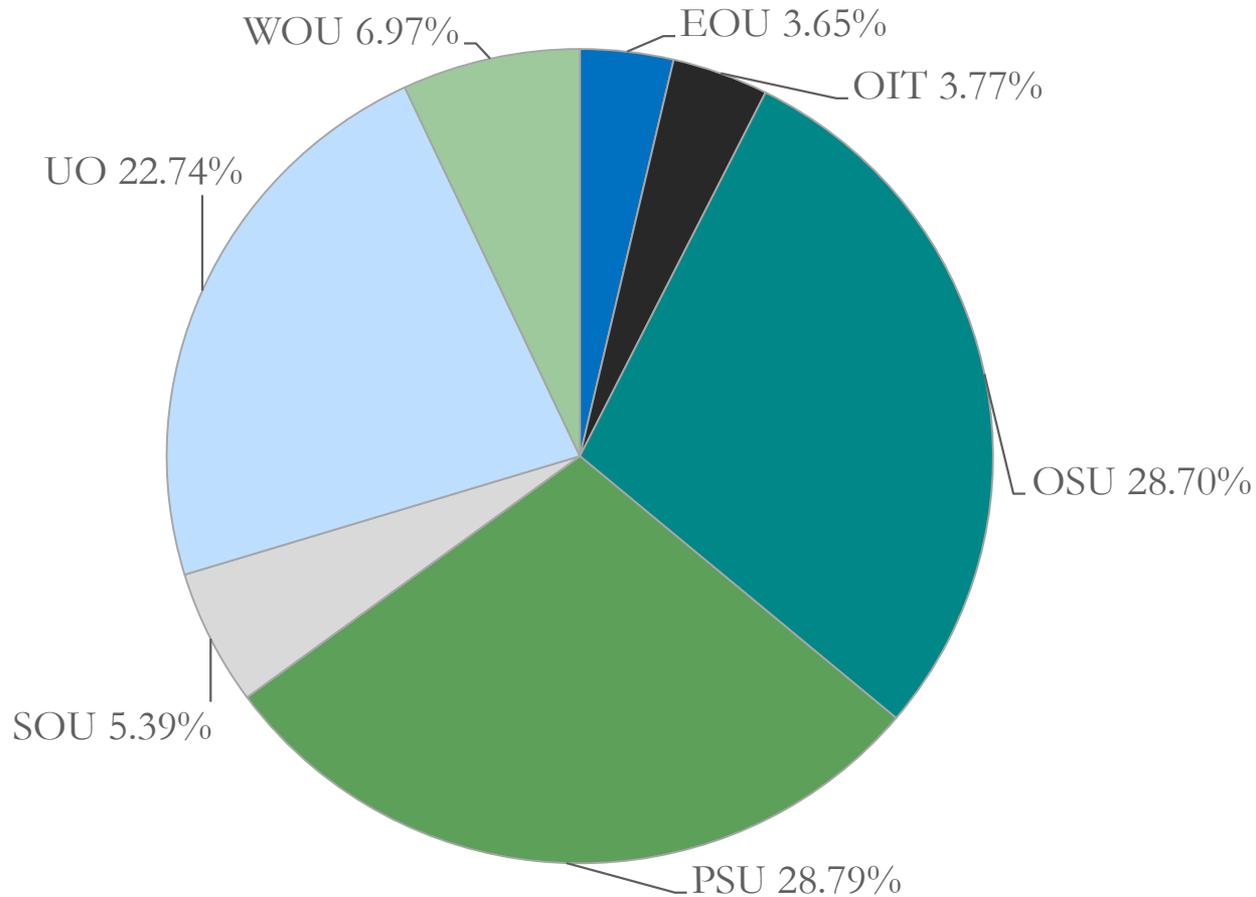
QUALITY

33

- Quality undergirds and is the foundation for all of the HECC's attainment goals
- The TWG has heard from IFS and OSA representatives on academic quality and responded with robust evaluation process
- The HECC with leadership from Commissioner Dyess and Director Noor will work to develop the means for institutions to report their efforts to measure quality including:
 - Process
 - Capacity
 - Accreditation
 - Externally validated
 - Long-term employment outcomes
- It is clear that quality is too dynamic and multi-faceted to be measured numerically, but it can be viewed through a more comprehensive structure

ENROLLMENT AND COMPLETIONS BY INSTITUTION

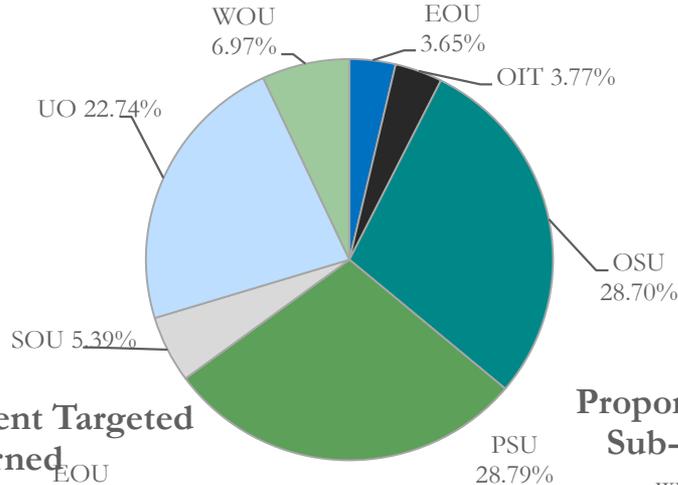
Proportion of Resident Student Credit Hours



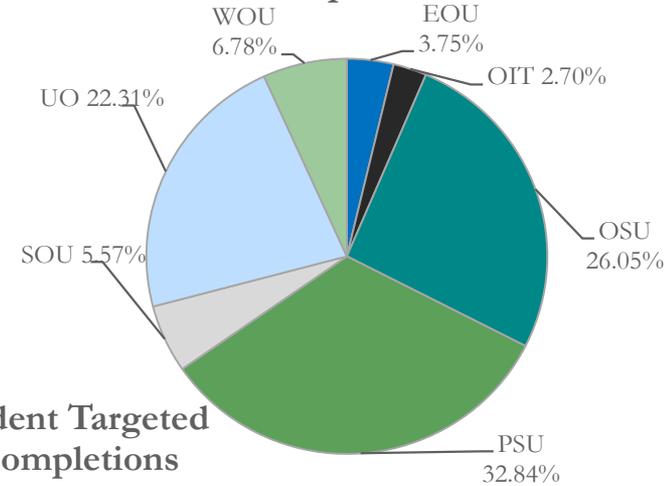
Three-year rolling average of resident SCH production, degrees conferred and degrees conferred to targeted student sub-populations and in targeted fields of study.

ENROLLMENT AND COMPLETIONS BY INSTITUTION

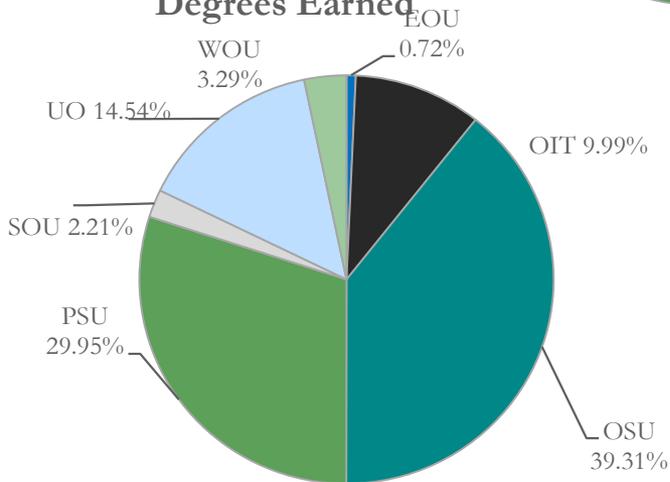
Proportion of Resident Student Credit Hours



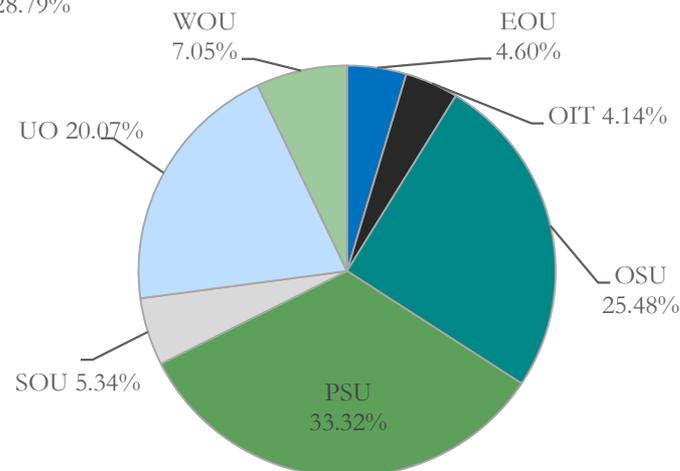
Proportion of Resident Degree Completions



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.

TRANSITIONING TO NEW FUNDING SYSTEM

36

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.

SSCM TRANSITION PERIOD

STUDENT SUCCESS AND COMPLETION MODEL DISTRIBUTION

		Non-SSCM	SSCM			
		2015	2016	2017	2018	2019
<ul style="list-style-type: none"> ■ Mission Differentiation ■ Activity-based ■ Completions 						
Funding Levels	Mission Differentiation	\$35.3 million	\$54.8 million	\$62.2 million	\$63.6 million	\$65.1 million
	Activity-based	\$206.9 million	\$195.6 million	\$153.8 million	\$115.4 million	\$120.6 million
	Completions	\$3.5 million	\$48.9 million	\$102.6 million	\$173.2 million	\$180.9 million
Completion Payments	Avg. Degree Completion	\$114	\$2,500	\$5,307	\$9,018	\$9,423
	Avg. Underrepresented Support	\$526	\$777	\$1,641	\$2,754	\$2,878
	Avg. Student Credit Hour	\$79.18	\$77.34	\$61.88	\$46.85	\$48.95
Notes	Funding assumes PUSF growth at OEA Oregon Economic and Revenue Forecast (Feb. 2016) general fund growth rates and constant SCH/Completion performance. 2015 Underrepresented Support includes only underrepresented minority and rural students. Tuition offset funding and Technical and Regional University Shared Services funding excluded from all calculations.					

Note: Diagrams exclude "tuition offset" funding. Figures may not add up to 100% due to rounding

EVALUATION FRAMEWORK AND TIMELINE

38

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



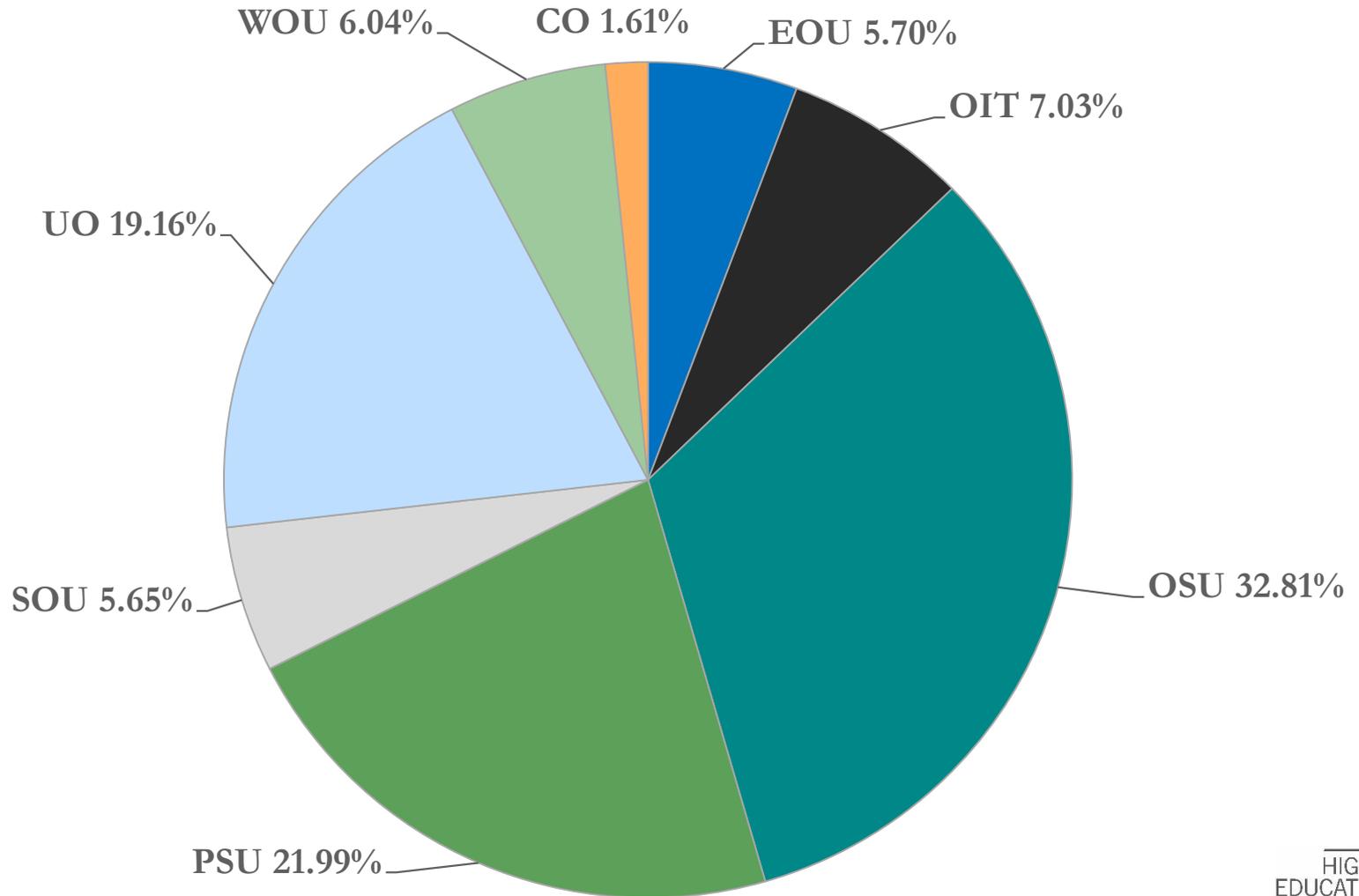
Every six years the HECC will undertake a more comprehensive process to ensure that the Model reflects the needs of institutions and priority of the state in directing resources



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

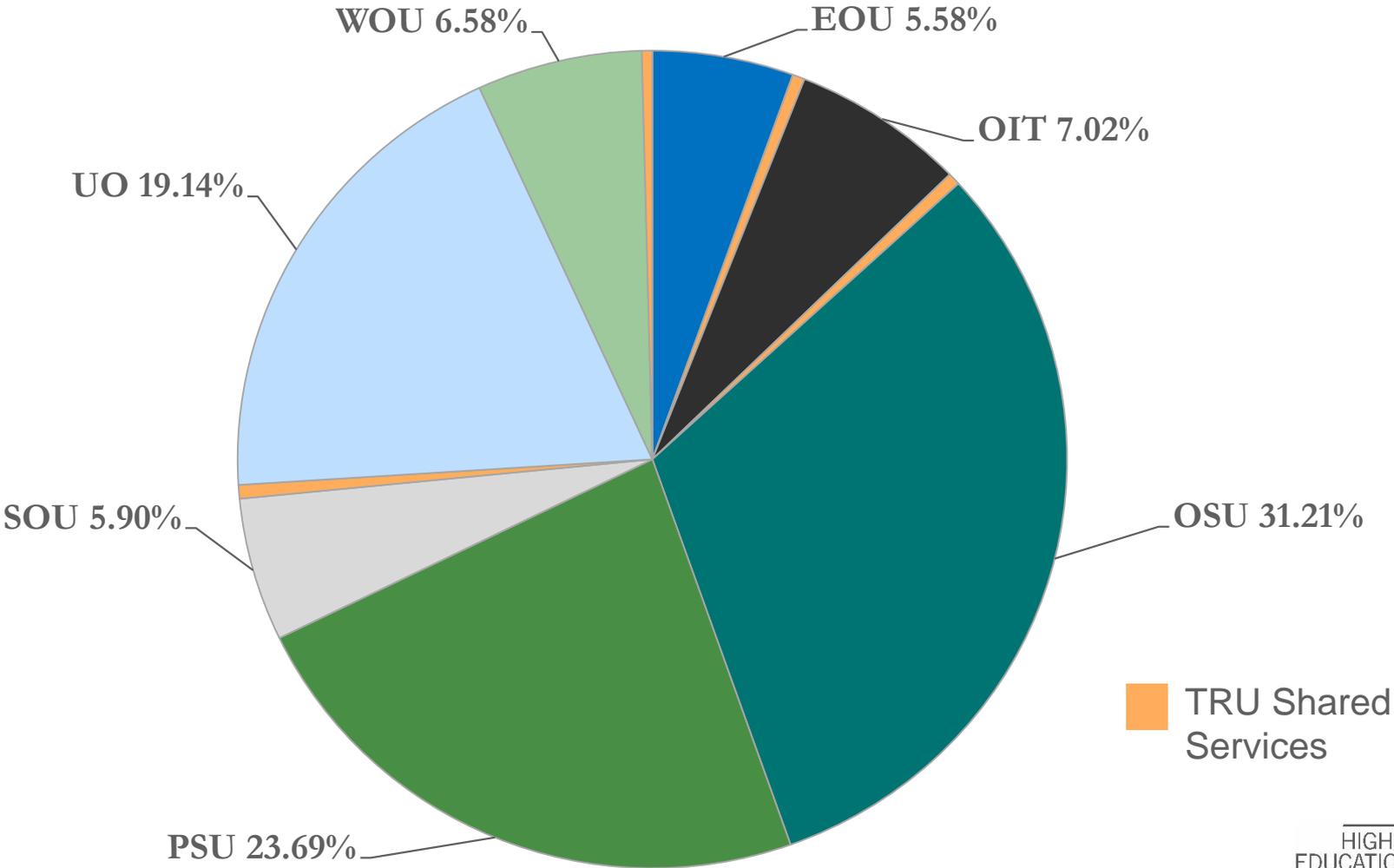
PROPORTIONAL FUNDING BY INSTITUTION – 2013-15

39



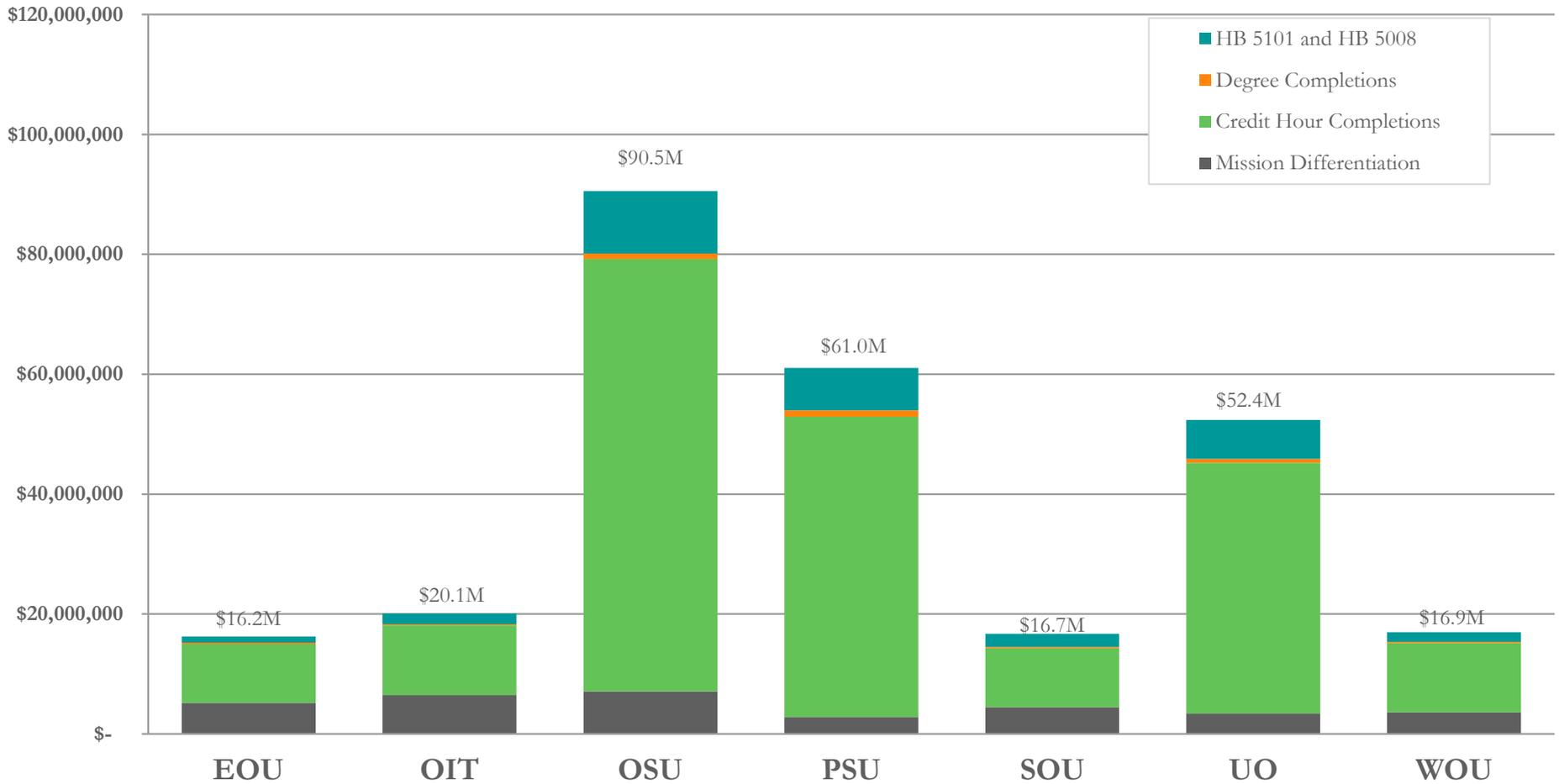
Estimated amount as FY15 settle up will take place during fall of 2015 when final data is available.

ESTIMATED PROPORTIONAL FUNDING BY INSTITUTION – 2015-17



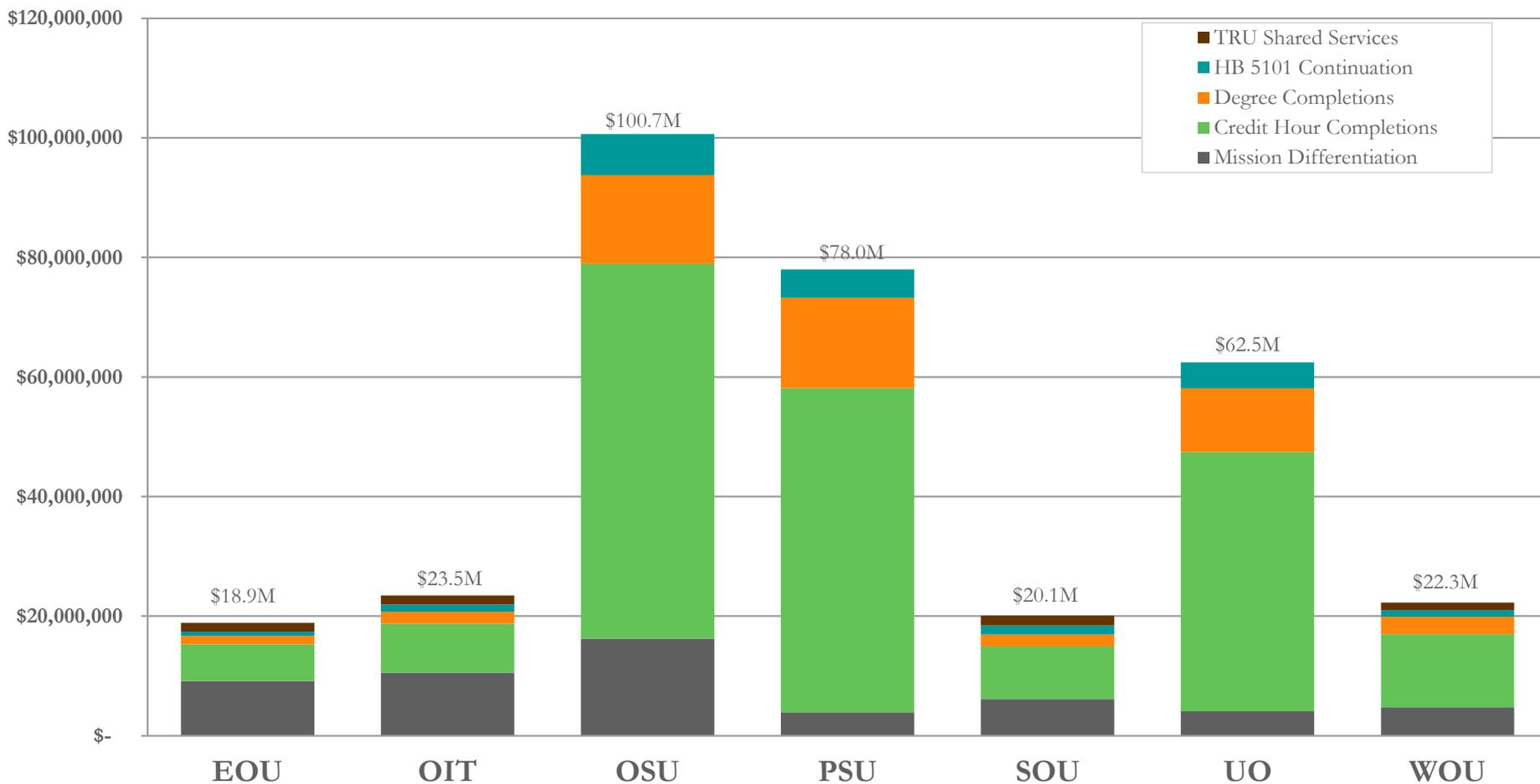
Assumes 2015-16 academic year SCH and degree completions remain constant at 2014-15 levels.

2015 RAM FUNDING

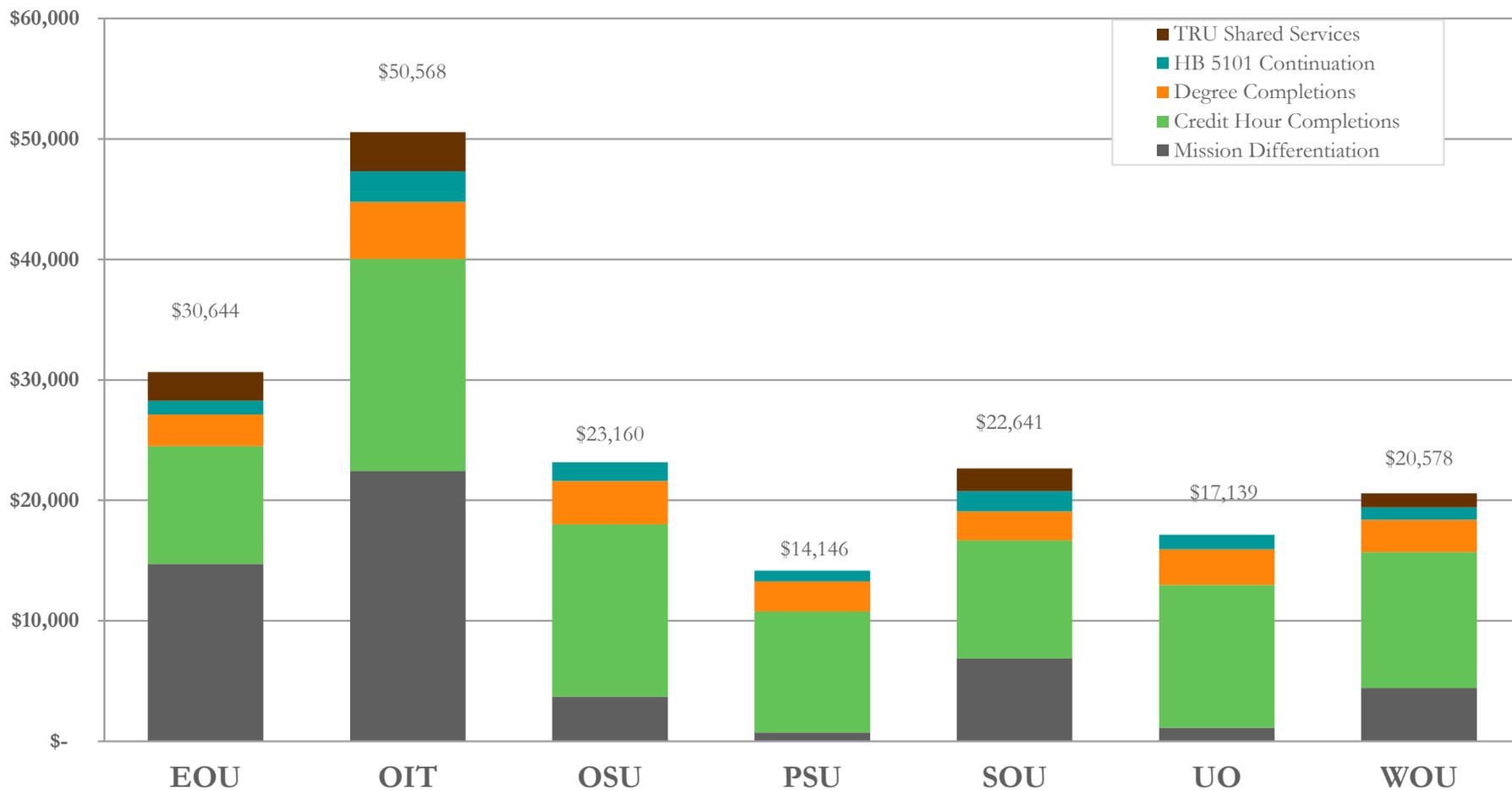


2016 SSCM FUNDING

42



2016 PER DEGREE FUNDING



IMPLEMENTATION

Continued shift in rhetoric and investment strategy supporting student success and completion by institutions, supported by the significant reinvestment in the Public University Support Fund by the Legislature has allowed for:

- Structured pathways from high school to degree completion
- Financial aid, remissions and scholarship increases and moderated tuition increases
- Expanded advising and mentoring to increase retention, persistence and completion
- Information and data systems to identify and target support to at risk students

HECC leadership continues to meet with institutional leadership, boards of trustees and faculty and students to discuss the funding model and its implementation.

HECC Staff has provided technical assistance and implementation support through the development of an interactive forecasting model, presenting to and hosting training for budget, finance, academic, institutional research and equity related staff.

Continued investment by the Legislature is key to implementation. This allows for increased focus on achieving 40-40-20.