HIGHER EDUCATION COORDINATING COMMISSION

Outcomes Based Funding Update

HECC FUNDING & ACHIEVEMENT SUBCOMMITTEE

12/4/2014

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PROCESS

- OBF Technical Workgroup (TWG) formed in May
- University Presidents, HECC Commission and staff leadership discus TWG Principles (6/5)
- Discussion & status updates on OBF
  - With the Subcommittee (7/3, 10/2, 11/6, 12/4)
  - With the full Commission (6/12, 9/11)

WORKGROUP'S PROCESS & OUTCOMES

- Use existing States models and literature to create an OBF model that builds from others yet meets Oregon's unique institutional context
- Meet the principles articulated in May
  - 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
- Develop functional model mechanics
- "Tee-up" policy questions for Commission to approve
- Reconvene to develop implementation plan

TWG MEETINGS

- 6/6: Review principles and previous OUS effort; hear from consultants on national landscape and best practices
- 7/7: Review background material, academic and policy literature, scope conversation; review current PUSF framework
- 9/22: Campuses submit/rank outcome measures/metrics; discuss academic quality; group determines model inputs
  - Degrees
  - Student sub-population success
  - Priority degree types
- 11/21: Review and adjust proposed model mechanics
- 12/1: Discuss weighting structures recommendation
- 12/19: Develop proposed weighting structure range to support Commission/HECC staff recommendation

OBF MODEL SUMMARY

Higher Education Coordinating Commission: University Outcomes-Based Funding Model

Total State Appropriations	$270,407,351		
Base Funding Allocation	15%	Amount Allocated:	$40,205,389
SCH & Outcomes Funding Allocation	85%	Amount Allocated:	$230,201,962
SCH	20%	Amount Allocated:	$46,040,392
Outcomes	80%	Amount Allocated:	$184,161,570

Calculated Allocation Per Outcome	
Allocation Value of 1.0 increase in Bach. Degree or Pop. Characteristic	$ 11,315.35

Stop Loss		Stop Loss Needed?
Must be less than 12.62%	-2.0%	No
Degree Level	**Weight**	**Number of Degrees Total**
Baccalaureate Degrees	1.0	13,278
Masters Degrees	0.0	2,224
Doctorate Degrees	0.0	442
Professional Degrees	0.0	181
Graduate Certificates	0.0	1,113
Student Populations Resident Bachelor's Only	**Weight**	**Number of Students Total**
1	0.0	4,403
2	0.0	3,207
3	0.0	875
4	0.0	77
5	0.0	3
6	0.0	-
7	0.0	-
8	0.0	-
9	0.0	-
10	0.0	-
Area of Study (All Degrees)	**Weight**	**Number of Students Total**
STEM	1.0	2,997
Bilingual Education	0.0	2
Health	0.0	994
Other	0.0	-
Other1	0.0	-

			New Funding Allocations									
			New Funding Level - Before Stop Loss					New Funding Level - With Stop Loss				
	Prior Year Total Allocation	Prior Year Total Percentage	Base Allocation (Non-SCH) %	Student Credit Hour Allocation %	Outcomes Allocation %	Total Unadjusted Allocation %	Percentage Difference in Funding from Prior Year	Total Base Allocation (Non-SCH) %	SL Adjusted Student Credit Hour Allocation %	SL Adjusted Outcomes Allocation %	Total Allocation After Stop Loss Adjustment %	Percentage Difference in Funding from Prior Year
	FY14	% of Total										
Eastern Oregon University	$14,371,505	6.0%	-	-	-	-	-	-	-	-	-	-
Oregon Institute of Technology	$17,704,084	7.4%	-	-	-	-	-	-	-	-	-	-
Oregon State University	$78,873,396	32.8%	-	-	-	-	-	-	-	-	-	-
Portland State University	$53,735,182	22.4%	-	-	-	-	-	-	-	-	-	-
Southern Oregon University	$13,851,867	5.8%	-	-	-	-	-	-	-	-	-	-
University of Oregon	$46,513,887	19.4%	-	-	-	-	-	-	-	-	-	-
Western Oregon University	$15,058,847	6.3%	-	-	-	-	-	-	-	-	-	-
Total:	$240,108,768	100%	-	-	-	-	-	-	-	-	-	-

Student Sub-populations:

- Underrepresented minority students
- Low income students (Pell recipients)
- Rural students
- Veteran students

HIGHER EDUCATION COORDINATING COMMISSION

OBF MODEL SUMMARY

Degree area of study weighting example:

Weighting Factors - Degree Level and Area of Study										
CIP	Description	Category	Weight	EOU	OIT	OSU	PSU	SOU	UO	WOU
01	Agriculture	Uncategorized	-	-	-	-	-	-	-	-
	Res Bachelors			2.84	2.84	2.84	2.84	2.84	2.84	2.84
	Res Masters			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Res Doctoral			4.21	4.21	4.21	4.21	4.21	4.21	4.21
	Res First Professional			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Res Graduate Certificates			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Non-Res Doctoral			4.21	4.21	4.21	4.21	4.21	4.21	4.21
02	Agricultural Sciences (Legacy)	Uncategorized	-	-	-	-	-	-	-	-
	Res Bachelors			2.84	2.84	2.84	2.84	2.84	2.84	2.84
	Res Masters			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Res Doctoral			4.21	4.21	4.21	4.21	4.21	4.21	4.21
	Res First Professional			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Res Graduate Certificates			3.76	3.76	3.76	3.76	3.76	3.76	3.76
	Non-Res Doctoral			4.21	4.21	4.21	4.21	4.21	4.21	4.21
03	Natural Resources, Conservation	Uncategorized	-	-	-	-	-	-	-	-
	Res Bachelors			2.00	2.00	2.00	2.00	2.00	2.00	2.00
	Res Masters			2.42	2.42	2.42	2.42	2.42	2.42	2.42
	Res Doctoral			3.68	3.68	3.68	3.68	3.68	3.68	3.68
	Res First Professional			2.42	2.42	2.42	2.42	2.42	2.42	2.42
	Res Graduate Certificates			2.42	2.42	2.42	2.42	2.42	2.42	2.42
	Non-Res Doctoral			3.68	3.68	3.68	3.68	3.68	3.68	3.68

OBF MODEL SUMMARY – FUNCTION

- Provides resources for "base" support for public service/mission, research and regional needs
- Allocates appropriations across institutions by performing Outcomes-Based calculations that incorporate:
  - Weighting factors
  - Performance data
- Allocates appropriations across institutions by performing Activity-Based calculations that incorporate:
  - Course cost
  - Student Credit Hour (SCH) production
- 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 a defined percentage of prior year allocation

OBF MODEL SUMMARY – METHOD

- Total 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 function can then redistribute a portion of allocations to keep all institutions at or above a designated level of change from the prior year
- The model uses three-year rolling averages to balance predictability and responsiveness

OBF MODEL SUMMARY – KEY POLICY AREAS

- **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?
  - Priority of degrees and degree levels
  - Priority of student sub-populations
  - Priority of degree types
- **Stop Loss** – 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?

OBF MODEL SUMMARY - DATA

- **Degree information** – used for Outcomes-Based calculations
  - 3-year average of RESIDENT[1] 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 RESIDENT[1] 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

POLICY VARIABLES – RECAP

- Base allocation
- SCH allocation
- OBF allocation
  - Degrees & degree level
    - Baccalaureate
    - Masters
    - Doctorate
    - Professional
    - Graduate Certificates
  - Student Sub-populations
    - Underrepresented minority students
    - Low income students (Pell recipients)
    - Rural students
    - Veteran students
  - Degree type
    - STEM
    - Health
    - Bilingual Education

RATIONALE - BASE

- 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

RATIONALE - SCH

- Replicated "RAM-light" approach to cost-based structure
- Used as a bridge to transition from current enrollment based funding model to future completion based outcomes model
- Continues to support partnerships between institutions and sectors (dual-credit)

RATIONALE - OBF

- More tightly link state incentives to state's investment 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 to be student success centered

RATIONALE – OUTCOME METRICS

- Degrees
  - Investments in degree outcomes enjoyed overwhelming support of all TWG participants
  - Simple, un-"game-able" measure
  - Strongly incentivizes transfer & articulation and 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 have top-40 without advanced degrees.
  - Grad degrees are an investment in quality

RATIONALE – OUTCOME METRICS

- 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 with Cap Methodology"
    - Student completion in any 1 category receives additional weighting
    - Increased weighting with increased number of categories up to a set "cap"
  - 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

- 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 Prority 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

- 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
- 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

NEXT STEPS

- TWG continues refinement of recommendations on model structure
- TWG will set forward the major policy decisions to be made and recommend ranges given Oregon's unique institutional context and the HECC's strategic plan
- HECC Staff will make a recommendation to the Commission in early 2015
- The Commission will vote on policy questions and adopt a funding model
- The TWG will reconvene to develop a phase-in approach and perfect technical issues within the model

OBF UPDATE

- Questions?