Docket Item:

Public University Support Fund Overview

Summary:

The HECC has the statutory responsibility to allocate and distribute the Public University Support Fund (PUSF) among the State's seven public universities. That allocation is achieved on an annual basis through the Student Success and Completion Model (SSCM) funding allocation formula. Adopted in 2015, the SSCM continues on its implementation pathway in 2017-18. This docket item and the associated presentation is an overview of the SSCM and its function.

Docket Material:

The HECC is granted authority under ORS 350.075(3)(E)(B)(iii)(f) to:

> *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.*

In the 2017-19 biennium, the HECC will distribute approximately $937 million to the seven public universities (does not include OHSU). The largest single category of funding, representing 83% of these appropriations, is the PUSF ($736,898,583 million). Updated on an annual basis, the SSCM is the sole allocation method for PUSF in the 2017-19 biennium.

The SSCM was developed through a consultative process, from June 2014 to February 2015 by the Outcomes-Based Funding Technical Workgroup. This workgroup consisted of senior financial, academic and student affairs representatives from each of the seven public universities, as well as faculty and student leadership, with additional assistance from HCM Strategists, a higher education consultancy. The workgroup developed the mechanical structure for a funding allocation model which met the principles articulated by Executive Director Cannon in the workgroup's charge and summarized below:

- Reflect the principles and priorities embedded in the strategic plan of the HECC and the OEIB Equity Lens;
- Focus on student access and success by supporting institutions to enroll, retain, and graduate Oregon resident students with a particular emphasis on underrepresented populations whose increased success is necessary to reach Oregon's attainment goals;
- Encourage completion of high demand and high reward degrees key to Oregon's economic future;
- Recognize and reward differentiation in institutional mission and scope;
- Use data that is clearly defined and currently available;
- Maintain clarity and simplicity;
- Be phased-in to ensure stability through transition, starting with the 2015-17 biennium.

Now in its third year of use, the SSCM has completed an important phase of its implementation by reaching peak focus on degree completion by Oregon students. That peak focus includes special emphasis on an institution's ability to graduate students from traditionally underserved populations at the undergraduate level. Specifically, students from underrepresented minority, low-income, rural, and veteran populations who earn Bachelor's degrees result in a greater share of funding allocation for the degree-granting institution. Additionally, degrees awarded in high-demand fields with specific value to the Oregon economy are favored in the SSCM's calculation (STEM and health fields, bilingual education licensures).

The SSCM also rewards progress by students toward their degrees, as represented by student credit hour completions. While student credit hour completions were emphasized early in the first two years of the SSCM's implementation and remain a significant component of the PUSF allocation, credit hours are de-emphasized beginning in the current fiscal year.

The final major component of the SSCM allocation calculation is the acknowledgment of the different missions and contexts of the seven public universities. Embedded in this funding category are resources for mission-critical activities and acknowledgment of the need to support all public universities, especially those that are most dependent on State resources. This "Mission Differentiation" slice of the SSCM calculation is primarily based on historical funding and has not been systematically examined by the Commission or any allocation workgroup.

As referenced in this docket item, the SSCM is being phased in over several fiscal years to ensure an adequate level of stability in institutional funding while the universities prepare for full implementation, scheduled for fiscal year 2019-20. Three primary tools are being utilized during this phase-in period:

- Graduated increase in degree focus;
- Stop Loss;
- Stop Gain.

Of non-Mission Differentiation funding, the percentage of remaining PUSF allocated according to degree data has increased from 20% in 2015-16 to 60% in 2017-18. This phase-in component is now at its terminal level and all future SSCM allocations will direct 60% of such resources to degree completions.

The final allocation to each institution each year is measured against the final allocation from the prior year and the rate of change limited as an effort to ensure funding stability for each institution. Each year’s allocation may not fall below a funding floor or exceed a maximum rate of increase. Both the floor and maximum are calculated as a percentage of the prior year allocation, with greater variation allowed each fiscal year. In 2020 this Stop Loss/Stop Gain transitional tool will expire and the change in annual allocation for a given institution will no longer be bracketed.

The associated presentation provides additional specificity on each calculation component and transitional tool incorporated in the SSCM.

Staff Recommendation:

No action needed, discussion only.