

COMMUNITY COLLEGE FUNDING MODEL REVIEW AND RECOMMENDATIONS

2023



TABLE OF CONTENTS

Executive Summary	3
Background on Funding Models	4
Funding Models Across the Nation	4
Outcomes Based Funding Models	7
Oregon’s Community College Funding Model	10
History of the Oregon Funding Model	16
Contextual Data	18
External Review and Perspective	24
Formula Review Process	25
Purpose, Guiding Principles, Areas of Consideration	25
Membership	26
Process Timeline	28
Workgroup Consensus	33
Proposed Model	33
HECC Staff Recommendations	41
HECC Recommendations	42
Potential Impact	46
Focus on Affordability	51
Focus on Equity	52
Bibliography	53
Appendix A – Survey Information	56
Appendix B – Equity Analysis Report	60

Acknowledgements

Sincere thanks to the workgroup members for all the hours spent on this important work including the support of HECC’s Research and Data staff. Also, thanks to HCM Strategists for their collaboration and facilitation efforts with appreciation for those who provided guidance, opinion and perspective.

Executive Summary

Oregon Revised Statutes (ORS) 350.075(3)(f) charges the Commission with the responsibility and authority to establish, via administrative rule, the formula by which state funding is distributed to community colleges. The Community College Support Fund (CCSF) Formula Review Workgroup was charged with the review and examination of Oregon's existing formula for alignment to, and support of, Oregon's higher education goals. The Workgroup was advisory to HECC staff.

The Workgroup included 26 members appointed by college presidents and other stakeholder groups. The HECC hired a third-party facilitator to help engage with Workgroup participants. The Workgroup met 13 times from March 2022 through early February 2023, totaling approximately 36 hours of meeting time. HECC staff provided public updates to the Commission during nine meetings of its Funding and Achievement (F&A) subcommittee from August 2021 through December 2022, and made recommendations at the February 2023 meeting.

The Workgroup provided a range of important perspectives that inform the HECC staff's recommendations. Members reached common ground on principles including the need to focus more on underserved student populations which includes adult learners, those pursuing career and technical workforce education, and those who typically experience the highest barriers to success. Workgroup members recognized the formula could be more student-centered in its alignment with the state's existing adult attainment goal and in its promotion of equitable student success.

Workgroup members developed a framework for the formula that maintains much of the existing design while adding two, student-focused components: one for student support and one for student success. The four populations prioritized within both additional components include low-income learners, adult learners, career/technical workforce education seekers, and traditionally underrepresented learners as identified by race/ethnicity. Once implemented, HECC recommends distributing ten percent of total funding through these two, additional components.

Informed by the Oregon Equity Lens¹ and in an effort to counteract potential unintended consequences, the proposed formula incentivizes credential completions by prioritized populations in the student success component of the formula while also providing necessary support funding up front. The recommendations build on the strengths of the current formula, align with state higher education goals, and center equitable student success.

¹ <https://www.oregon.gov/highered/policy-collaboration/Pages/equity-success.aspx>

Background on Funding Models

Most states did not routinely provide public funding for higher education until the early 20th century. Doing so took off in earnest after World War II. In the beginning, most states sought to reimburse institutions for coursework delivered, assuming that tuition and fees would cover some of the cost. This shared approach was, and still is, very common.

Enrollment-based models were the primary method by which states distributed appropriations for higher education institutions until the 1970s. Generally, public institutions received funding for either the number of students served or the number of courses attempted. Essentially these models attempt to reimburse institutions for costs incurred. Their focus is on the finances of the institution. Many states, including Oregon, still use this approach to some or great extent.

In the 1990s, states experimented with different approaches that focused on the inclusion of performance indicators that attempted to reward institutions for contributing to broader state priorities. This reflected a philosophical movement from focusing solely on student access to focusing also on student completion (or success), in accordance with state higher education goals that had started to emphasize the latter. Many of these early attempts at performance funding failed due to overly complex metrics and too little funding devoted to rewards for performance/completion.

Inputs based models have given way to outcomes-based models driven by accountability expectations and in the pursuit of better alignment with state goals.

In the early 2000's, and especially since the great recession, additional states have modified their formulas to include student success and completion measures in an effort to align with state goals such as increased educational attainment and the closing of achievement gaps. Many of these models built on the failures and successes of the earlier performance funding attempts. As of March 2020, 28 states had incorporated student progress/completion outcomes of some kind for the distribution of funds to two-year institutions.²

Funding Models Across the Nation

In thirty states, student enrollment is a factor in how funding is distributed to postsecondary institutions within either the community college or four-year university sector, or both.³ Some state formulas include weights for higher-cost coursework or programs. Some include weights for preferred credentials or training programs in high demand.

² <http://hcmstrategists.com/resources/driving-better-outcomes-fiscal-year-2020-state-status-typology-update/>, Page 8

³ Eric Syverson, Erin Whinnery, and Sarah Pingel, *50 State Comparison: Postsecondary Education Funding*, Education Commission of the States, July 2020.

Many states recognize the importance of successfully serving underrepresented students. There is variation in the definition of what constitutes underrepresented students. However, most states with funding policies for two-year institutions do not consider student characteristics such as socioeconomic status, race/ethnicity, or nontraditional/adult student status. Similarly, most states do not have policies established for allocating funding based upon participation in developmental or remedial education.⁴

Recently, the Washington State Student Achievement Initiative (SAI) concept, adopted in 2007, has become a model for some other states. Based on work done in conjunction with the Community College Research Center at Columbia University, the idea is to identify key academic benchmarks that students must meet to successfully complete degrees and certificates. These levels of achievement are called “momentum points” because each one is likely to propel students to another level of achievement.

The achievement levels are meaningful for all students across:

- Demographic characteristics (race, age, income, employment status)
- Academic program or entering skills levels (basic skills, remedial, workforce education, academic transfer)
- Intensity of enrollment (part-time or full-time)
- Type of institution attended (urban, rural, large, small)

Milestone Area	Momentum Points
Building towards college-level skills	- Basic skills gains – increase in skill level based on a standardized test - Passing a pre-college writing or math course that would qualify student to advance
First year retention and progress	Earning 15 then 30 college-level credits
Completing college-level math	Passing a math course required for either a technical or academic associate degree
Second year retention	Becoming workforce or transfer ready (45 college-level credits)
Completion	Degrees, high-value certificates, apprenticeship training

Two innovations in particular distinguish the SAI from previous performance funding models. First, the SAI measures and rewards colleges for students’ intermediate achievements along the pathway toward completion in addition to rewarding them for completion. The metrics

⁴ E-mail response from Carlos Jamieson, Education Commission of the States, September 24, 2021.

incorporate measures of achievement for students starting in adult basic skills or remediation, so that colleges are not at a disadvantage for serving disadvantaged students. Colleges are rewarded momentum points when students attain educational milestones along the path to a degree which considers student success as a continuous, rather than discrete, outcome.⁵

The second innovation is that it gives colleges data to help them understand where students are struggling along the pathway through college and what changes might improve their forward momentum. The SAI was designed to provide data to guide colleges in identifying barriers to student progression allowing them to take the necessary steps to remove them in order to increase student completion rates.

The design principles⁶ to consider for effectiveness are that:

- Colleges should be rewarded for improvements in student achievement.
- Funding should be structured so that colleges compete against themselves for continuous improvement rather than competing against each other.
- Funding should be stable, predictable, and cumulative over time.
- New funds provide the greatest incentive.
- Funding rewards student success and becomes a resource for adopting and expanding practices leading to further success.

In practice, colleges earn points every time a student reaches a level of achievement. The total points are then used to allocate funding. The states that have adopted this type of model use it to distribute a portion of total state support. That portion may be as low as 5-10% and is not anywhere higher than 20-25%. Three examples are highlighted below.

Washington state allocates five percent of the total state allocation to momentum points with additional recognition for historically underserved students.

The Washington State model allocates five percent of the total state allocation to momentum points. Colleges are funded based on their share of points in three categories: total points, points per student, and completions. They also recognize the achievement gaps of historically underserved populations by providing additional points when these students achieve certain milestones.

Another example of a similar model for community colleges is used in Ohio. Half of the total funding is allocated based on cost-weighted, course completions. This is the enrollment driven component; however, the basis is not just enrolled students but completed courses.

⁵ Davis Jenkins and Nancy Shulock, *Metrics, Dollars, and Systems Change: Learning from Washington State's Student Achievement Initiative to Design Effective Postsecondary Performance Funding Policies*, Community College Research Center, March 2013, p 4.

⁶ Ibid, p 8.

Ohio allocates 50% based on course completions, 25% based on degree or certificate completions and transfers, and 25% based on momentum points. Premiums are included for historically underserved students.

Twenty-five percent is allocated based on cost-weighted completions. This includes students earning associate degrees. Students earning certificates of 30+ hours are also included at half the weight of associate degrees. Students transferring to four-year universities with 12 credit hours or more are also included at one quarter the weight of associate degrees.

Twenty-five percent is allocated to momentum points.

These metrics include 12/24/36 earned credit hour benchmarks and developmental math/English completion with subsequent enrollment in a college-level math/English course. Premiums are provided for outcomes earned by students in access categories including adult learners, low-income, underrepresented minority, and academically underprepared students.

Another example is California. They recently adopted a revised formula with a momentum points component. Their Student Centered Funding Formula (SCFF) includes three components. A base allocation which largely reflects enrollment, a supplemental allocation based on the number of students receiving a state financial aid grant or Pell grant, and a momentum points allocation.

The momentum points allocation is based on outcomes that include the number of students earning associate degrees and credit certificates, the number of students transferring to four-year universities, the number of students who complete transfer-level math or English within their first year, the number of students who complete nine or more career education units, and the number of students who have attained the regional living wage.

California allocates 70% of funding to the enrollment driven base allocation, 20% for the equity based supplemental allocation, and 10% based on momentum points.

Outcomes Based Funding Models

The terms outcomes-based funding (OBF) and performance-based funding (PBF) are sometimes used interchangeably. The policy goal is to hold institutions more accountable for student success. Under outcomes-based funding, states tie a portion of appropriations to public institutions to student progression or outcome metrics, such as credit hour attainment, retention, and credential completion. This reflects a philosophical movement from focusing state financial resources solely on student access to include student success as well.

Tennessee launched what is considered the nation's first PBF system for higher education in 1979. PBF implementation since then has been broadly characterized in prior research by two waves: a first wave of adoptions in the 1990s that was largely abandoned as state budgets declined after the 2001 recession and a second wave in the mid-2000s.

Many of the early attempts at performance funding during the 1990s failed due to overly complex metrics and too little funding. The later attempts, often called outcomes-based funding, built on the failures and successes of the earlier attempts. They include student success and completion measures in an effort to align with state goals such as increased educational attainment and the closing of achievement gaps.⁷

During 2020, as many as 33 states had PBF policies that existed either through state legislation or higher education agency approval, and 41 states have had PBF policies in place at some point since 1997. Funding for PBF models increased in more than half of the states during the pandemic. PBF funding makes up about 10% of operating funding on average across the states with more than 90% in five states and less than 1% in five more.⁸

A systematic synthesis of 52 research articles published between 1998 and 2020 concludes that “PBF adoption is generally associated with null or modest positive effects on the intended outcomes of retention and graduation, but there is also compelling evidence that PBF policies lead to unintended outcomes related to restricting access, gaming of the PBF system, and disadvantages for underserved student groups and under-resourced institution types.”⁹

This is because variations in policy design and implementation are associated with variations in the effects of outcomes-based models.¹⁰ The variation in effects may also be connected to the length of time a policy has been fully implemented. Researchers have found positive impacts in later years, suggesting that policy response takes time and outcomes should be assessed after a reasonable period of implementation.^{11 12}

Additional challenges exist in determining the impacts of outcomes funding due to external factors such as state investment and enrollment changes. Performance funding often gets adopted when the overall economy is poor which coincides with state disinvestment.¹³ Meanwhile, shifts in enrollment and the demographics of students can impact the number of degrees earned.

⁷ Kelly Rosinger, Yahya Shamekhi, Junghee Choi, Nicholas Voorhees, Justin Ortagus, and Robert Kelchen, *Performance Funding for Higher Education: Current Evidence, Unanswered Questions, and How New Data Can Inform Policy*, Policy Brief, InformEd States (May 2021).

⁸ Kelsey Kunkle, *Performance-Based Funding Allocations for Public Higher Education Institutions, Fiscal Years 2020 and 2021*, SHEEO (2021).

⁹ Justin Ortagus, Robert Kelchen, Kelly Rosinger, and Nicholas Voorhees, *Performance-Based Funding in American Higher Education: A Systematic Synthesis of the Intended and Unintended Consequences*, Educational Evaluation and Policy Analysis (December 2020).

¹⁰ Amy Li and Alec Kennedy, *Performance Funding Policy Effects on Community College Outcomes: Are Short-Term Certificates on the Rise?* Community College Review (2017).

¹¹ Nicholas Hillman, Alisha Hicklin Fryar, and Valerie Crespin-Trujillo, *Evaluating the Impact of Performance Funding in Ohio and Tennessee*, American Educational Research Journal (2017).

¹² Nicholas Hillman, David Tandberg, and Jacob Gross, *Performance Funding in Higher Education: Do Financial Incentives Impact College Completions?* The Journal of Higher Education (2014).

¹³ Amy Li, *Covet Thy Neighbor or Reverse Policy Diffusion: State Adoption of Performance Funding 2.0*, Research in Higher Education 58 (7) (2017).

Finally, the fact that multiple faculty and staff members contribute to a student’s success makes it difficult to determine precisely whether or not improvements in student outcomes can be credited to a specific employee’s actions, such as a change in their teaching practice, course content, or advising style. Considering the Washington State model, faculty and administrators indicated they had little way of knowing if the changes they made in their day-to-day activities were the reason for better student performance.¹⁴

As to why so many states have adopted OBF models, to quote one prominent researcher directly, “Overall, performance funding catalyzes positive institutional actions to prioritize student outcomes.”¹⁵ Dr. Russ Deaton, with the Tennessee Board of Regents, who helped develop Tennessee’s current OBF model back in 2009, explained it this way: “[The institutions] were always focused on graduation and getting students jobs – now state finances reflect that. It has allowed our presidents to invest in areas that have demonstrable impact on student outcomes.”¹⁶

The effect of outcomes-based models on institutional behavior is well documented.¹⁷ Outcomes-based models influence institutions through financial incentives, awareness of state priorities, and awareness of institutional performance.¹⁸ Examples of specific responses include an increased focus on outcomes, demonstrated by the reformation of academic policies such as developmental education, the implementation of degree pathways and the expansion of certificate offerings, revisions to strategic plans, and increases in institutional support staff. Other responses include altering advising and counseling systems, implementing early academic alert systems, changing tutoring and orientation programs, and the increased use of data analytics.^{19 20}

It is important to note that the potential unintended consequences can be mitigated. Policy design matters. One practice often used to curtail the unintended consequences of restricting access or gaming the system is to add incentives, also referred to as premiums, equity metrics, and bonus funding, for institutions to serve historically disadvantaged or underrepresented students. Research suggests that doing so helps counteract these negative effects. As a result, institutions often develop mentorship programs and create scholarships specifically for students of color and low-income students.²¹

¹⁴ Amy Li, *The Point of the Point: Washington’s Student Achievement Initiative Through the Looking Glass of a Community College*, *Community College Journal of Research and Practice* 41 (3) (2017).

¹⁵ Amy Li, *Lessons Learned: A Case Study of Performance Funding in Higher Education*, *Third Way* (2019).

¹⁶ Liann Herder, *A New Funding Formula*, *Diverse: Issues in Higher Education* (December 2022).

¹⁷ <https://www.obfequitytoolkit.org/m2-3-selecting-student-groups>

¹⁸ Kevin Dougherty and Associates, *Implementing Performance Funding in Three Leading States: Instruments, Outcomes, Obstacles, and Unintended Impacts*, *Community College Research Center* (2014).

¹⁹ Amy Li and William Zumeta, *Performance Funding on the Ground: Campus Responses and Perspectives in Two States*, *TIAA Institute* (2016).

²⁰ <https://www.obfequitytoolkit.org/m2-3-selecting-student-groups>

²¹ Amy Li, *Lessons Learned: A Case Study of Performance Funding in Higher Education*, *Third Way* (2019).

Another practice is to include incentives for STEM degrees, or the academic programs deemed important for the region more broadly defined. Evidence shows that compared to institutions without any performance funding, attainment in the identified fields is improved by the prioritization in the funding formula.²²

Other than design, funding stability over time, while embedding performance funds into the base budget, and simplicity in that a smaller set of metrics are used to allocate funding, are better for long-term support.²³ Also, the use of progression metrics to incentivize the steps students take on the path to success can be helpful.

Oregon's Community College Funding Model

The Community College Support Fund (CCSF) is the state's primary funding vehicle for Oregon's 17 community colleges, providing about one-third of their general funding in a given year. The funding model used to distribute CCSF appropriations is based on enrollment using a three-year rolling average, provides a base payment for stability, and equalizes the total public resources (state funding and local property tax revenue) per FTE.

The model is based on enrollment using a three-year average, provides a base payment for stability, and equalizes the total public resources per FTE.

The principles of the funding model include access by which the funding follows the student; quality to ensure adequate funding per student; equality in which total public resources per FTE are equalized and protected from erosion using growth management; and stability by which a three-year weighted average is used along with a base payment.

There are three components including categorical funding, base funding and enrollment funding. Categorical funding is taken off the top to support certain programs. Base funding provides stable, predictable funding for basic district operations and is weighted to provide sufficient resources to smaller districts.

Enrollment funding considers total public resources (i.e. state funding plus local property tax revenue) to ensure equality of funding per student, a three-year weighted average to ensure stability, and a growth management component (i.e. a stop-gain mechanism) to prevent the erosion of funding per student to provide predictability.

Categorical funding consists of four set asides that total \$10.0M during the 2021-23 biennium representing 1.4% of the total CCSF. They are:

²² Ibid.

²³ Dennis Jones, *Outcomes-based Funding: The Wave of Implementation*, National Center for Higher Education Management Systems (2013).

Corrections - A program which allows prisoners to take community college courses. The state pays a portion of this cost, and the overall allocation to this program increases at the same rate as the overall CCSF. This program is set at \$2.5M for the 2021-23 biennium.

Contracts Out of District (COD) - This program pays for a relatively small number of students from regions of Oregon that are not in a community college service district (such as Harney County) to take classes offered by a neighboring community college district. The cost of coursework is reimbursed to the offering district. This program has been funded at \$300,000 the past three biennia.

Distributed Learning - This program funds efforts to increase distributed learning at all 17 community colleges. The funding level was set at 0.276% of the CCSF several biennia ago and now increases by the same proportion as the overall CCSF. This program is set at \$2.0M for the 2021-23 biennium.

Commission Strategic Fund - A fund to incentivize statewide activities and to assist community colleges in meeting legislative expectations. HECC staff reviews, ranks and approves proposals to incentivize statewide activities. Requests for assistance in meeting new requirements stemming from legislative change are brought to the Commission.

The funding level for this program is set by the HECC in consultation with the College presidents. The HECC set this level at 0.75% of the CCSF resulting in a total of \$5.2M for 2021-23. Unused funds remaining in the current biennium’s strategic fund will be allocated through the formula.

The proportional distribution of funds between the components of the CCSF for the 2021-23 biennium is displayed in Figure 1 at right with a historical summary of CCSF funding included in Table 2. Although debt service funding is also provided for the colleges, that information is not included.

Figure 1: CCSF 2021-23

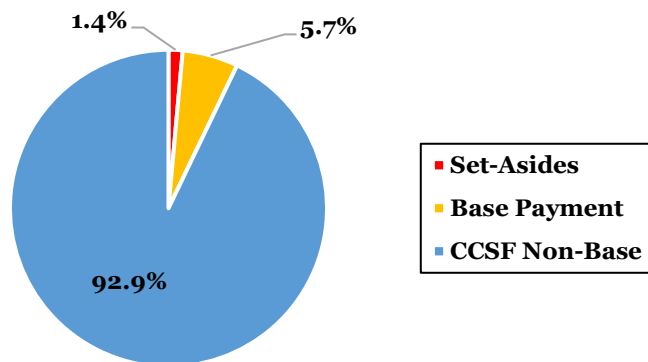
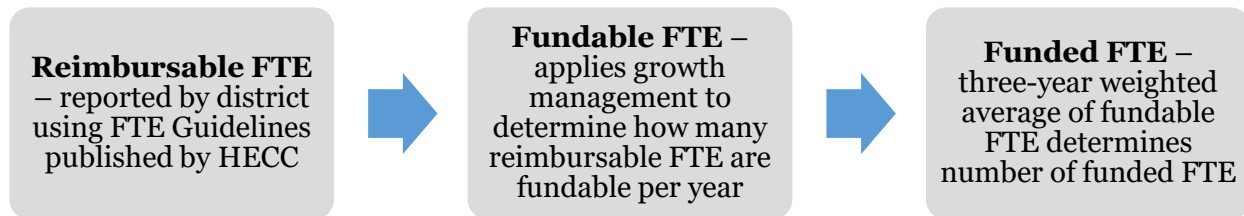


Table 2: Biennial CCSF Appropriations (In Thousands)

Biennium	2011-13	2013-15	2015-17	2017-19	2019-21	2021-23
CCSF	\$395,500	\$464,900	\$550,000	\$570,264	\$640,927	\$699,022

The remaining 98.6% of the CCSF is distributed via base payments and enrollment funding. Both of which are based on the number of funded FTE which is the weighted average of fundable FTE during the last three academic years. Fundable FTE are the number of reimbursable FTE that are eligible after applying the growth management component.



One reimbursable FTE is defined as 510 clock hours of instruction (which approximates 15 credits per term for each of three terms in a given year). Only courses taught to residents of Oregon, Idaho, Washington, Nevada and California that are physically taught within Oregon are reimbursable. Hobby or recreation courses are not considered reimbursable. These border state students typically pay resident tuition, which is not the case for Oregon residents taking courses in these border states.

Reimbursable students include those high school students attending community college in Oregon. Reimbursable courses include career-technical education, lower-division collegiate, postsecondary remedial, adult basic skills, adult high school diploma and health/safety/workforce development courses.

The FTE count is also subject to a “hold harmless” methodology that equalizes the clock hours between those institutions that have 11-week quarters and those that have 12 for the fall term only. This allows for all similar courses at institutions, regardless of whether they have the extra week of instruction, to be equal in terms of fundable FTE for that term. All 17 community colleges utilize an 11-week term for the winter and spring quarters (and an 8-week term for the summer), with Central Oregon, Columbia Gorge, Mt. Hood, Portland and Oregon Coast Community Colleges utilizing a 12-week fall term.

An annual FTE audit is conducted every fall to determine which courses are reimbursable and therefore included in an institution’s annual count. This audit is conducted in concert between the HECC’s Office of Research and Data and the HECC’s Office of Community Colleges and Workforce Development (CCWD). Additional details on which FTEs are reimbursable and how the audit process is conducted is available in a publication called *FTE Guidelines for Oregon Community Colleges* produced by CCWD.

The growth management component (GMC) is then applied to the number of reimbursable FTE to determine the number of fundable FTE. The GMC is intended to prevent erosion in the level

of funding per FTE for all colleges with an FTE count greater than 1,100. Essentially this is a stop-gain mechanism in that it stops one or more fast-growing colleges from consuming the majority of any additional formula funding year to year. It compares reimbursable FTE to prior year data to determine each college’s fundable FTE count as shown in Table 3 with an example calculation.

Table 3: Example Calculation of Fundable FTE			
Step	Description	Value	Source/Calculation
A	Annual Growth Factor (AGF)	-3.59%	Separate calculation; see table A in Appendix A for example
B	Reimbursable FTE	2,530	Reported by example district
C	Preliminary Cap #1: Prior Year FTE Cap	2,258	Lesser of Prior Year FTE Cap + AGF (2,342*96.41%) <u>or</u> Reimbursable FTE (2,530)
D	Preliminary Cap #2: Prior Year Fundable FTE	2,258	Prior Year Fundable FTE + AGF
E	FTE Cap	2,258	Greater of C or D
F	Fundable FTE	2,258	Lesser of Reimbursable FTE <u>or</u> FTE Cap
The calculations above assume that both the prior year FTE cap and prior year fundable FTE are 2,342.			

The number of fundable FTE is then weighted using a three-year rolling average, with 40% based on the most recent year and 30% based on each of the two years prior to determine the number of funded FTE for each college. Table 4 includes an example calculation. The number of funded FTE is important because it is used to calculate the base payment and enrollment funding.

Table 4: Example Calculation of Funded FTE		
3 Years Prior	30% * 2,429 =	729
2 Years Prior	30% * 2,342 =	703
Prior Year	40% * 2,258 =	903
Funded FTE		2,335

The base payment ensures a minimum level of funding to all colleges. It provides funding for essential district operations for fixed costs that do not change based on enrollment. The base payment increases funding stability and predictability for the colleges.

The base payment is calculated using a flat rate per funded FTE up to 1,100 FTE. These are referred to as realized FTE and all districts receive credit for them in their base payment. The flat rate per funded FTE of \$910 is adjusted annually for inflation using the consumer price index (CPI).

An additional amount is added for only those districts with a funded FTE level below 1,100 FTE at half the flat rate. The FTEs below 1,100 are referred to as unrealized FTE. The rate per unrealized FTE is \$455 currently. This is essentially a small institution supplement.

A college size factor is then used to adjust for those smaller colleges that lack economies of scale. The college size factors are noted in table B in the Appendix A. An example calculation for a base payment for two hypothetical colleges is included in Table 5. Note that the larger college receives less funding per FTE due to the small institution supplement.

Table 5: Example Calculations of Base Payments		
	College A	College B
Funded FTE	1,646	483
Base Funded FTE (Max 1,100)	1,100	483
Base per Realized FTE	<u>x \$910</u>	<u>x \$910</u>
Subtotal, Realized FTE	\$1,001,000	\$439,530
Base Adjustment (for <1,100 FTE)		1,100
Less Funded FTE		- 483
FTE Below Base		617
Adjusted Base Per Unrealized FTE (1/2 * \$910)		<u>X \$455</u>
Subtotal, Unrealized FTE	\$ -0-	\$280,735
Preliminary Base Funding	\$1,001,000	\$720,265
College Size Factor	<u>x 1.2062</u>	<u>x 1.3513</u>
Base Payment	\$1,207,406	\$973,294
Funding per FTE	\$733	\$2,015

The enrollment funding is then allocated by the relative proportion of funded FTE at each district via a two-step process. The first step is calculating the total public resources (TPR) per FTE. This involves determining the total amount of public resources available for distribution by subtracting the base funding (i.e. sum of all base payments) and then dividing by the total number of funded FTE across all colleges. The TPR per FTE can also be expressed by including base funding. This process can be seen in Table 6 using data for FY2022.

Table 6: Calculating the Total Public Resources (TPR) per FTE	
CCSF Funding Available	\$347,907,468
Property Taxes Available	+ 211,775,385
TPR Available	\$559,682,853
Less Base Funding	- 19,276,317
TPR for Distribution	\$540,406,536
Total Funded FTE for all colleges	76,214
TPR per FTE	\$7,091
TPR per FTE (with base funding)	\$7,344

The second step involves applying the funded FTE percentage to the total TPR available for distribution. Then, the property taxes assessed for the district are subtracted leaving the enrollment funding to be distributed to the college. This process can be seen in Table 7 using funding for FY2022 but using hypothetical fundable FTE and property tax assessment data for one college.

Table 7: Example Calculation of Enrollment Funding	
Fundable FTE Percentage	2.41% (1,836/76,214)
TPR for Distribution	X \$540,406,536
TPR Funding	\$13,023,798
Less Property Taxes Assessed	- \$6,264,585
Enrollment Funding	\$6,759,212

In this example, the college will receive \$6.8 million in state funding through the formula to be added to \$6.3 million in property tax revenue providing \$13.0 million in total public resources to support 1,836 funded FTEs. This results in \$7,093 per FTE in total public resources.

Also, 52% of this college's total public resources are provided by state funding. This mix is different for each college as shown in Table 8.

Table 8: State Funding as % of TPR (FY 2022)				
College	TPR per FTE	Property Taxes per FTE	State Funding per FTE	State Funding as % of TPR
Blue Mountain	\$7,929	\$4,643	\$3,285	41.4%
Central	\$7,353	\$5,087	\$2,267	30.8%
Chemeketa	\$7,211	\$2,935	\$4,277	59.3%
Clackamas	\$7,270	\$3,890	\$3,380	46.5%
Clatsop	\$8,114	\$4,249	\$3,865	47.6%
Columbia Gorge	\$8,546	\$1,851	\$6,695	78.3%
Klamath	\$7,728	\$1,346	\$6,383	82.6%
Lane	\$7,238	\$3,242	\$3,996	55.2%
Linn Benton	\$7,316	\$2,109	\$5,207	71.2%
Mt. Hood	\$7,249	\$2,240	\$5,009	69.1%
Oregon Coast	\$9,297	\$3,166	\$6,131	65.9%
Portland	\$7,139	\$1,911	\$5,228	73.2%
Rogue	\$7,363	\$4,230	\$3,133	42.6%
Southwestern	\$7,696	\$3,410	\$4,286	55.7%
Tillamook Bay	\$9,291	\$3,143	\$6,148	66.2%
Treasure Valley	\$7,997	\$2,056	\$5,941	74.3%
Umpqua	\$7,551	\$1,839	\$5,713	75.6%
Averages	\$7,344	\$2,779	\$4,565	62.2%

History of the Oregon Funding Model

Before 1957, high schools ran and paid for adult education programs. In 1957, the Legislature provided the first direct state funding to community colleges and created the first funding formula. Colleges received \$4.17 per each term hour or 20% of operating expenses, whichever was less. Over the next few biennia, the reimbursement rate was increased to 67% of operating expenses. The original intent was to fund the colleges with two-thirds state funds and one-third local funds.

In 1967, the Legislature changed the funding formula to a tiered system. Colleges received a different reimbursement rate for different levels of FTE enrollment. The 1967 funding formula provided:

- \$575 per FTE for the first 400 FTE
- \$475 per FTE for the next 300 FTE
- \$433 per FTE for the next 700 FTE

The tiered system remained until 1987 with each college's FTE number determined via projections for the upcoming biennium. Between 1967 and 1987, the Legislature increased the reimbursement rate per FTE and occasionally altered the tiers. It began increasing the rate for the second year of the biennium in 1971.

By 1987, the formula provided:

- For FY 1986: \$1,468/FTE for the first 1,100 FTE and \$1,114/FTE for each FTE over 1,100
- For FY 1987: \$1,512/FTE for the first 1,100 FTE and \$1,148/FTE for each FTE over 1,100

In addition, the Legislature began providing line-item appropriations to colleges in 1967. They granted the State Board of Education the authority to develop rules to implement formula funding in 1971 and allowed the redistribution of unused funds between colleges in 1973. By 1984, the Board changed the calculation for the base FTE amount and stopped using projected FTE counts. They turned to an average of actual FTE for the two proceeding years with a projection for the current year. A hold harmless was applied as well.

In 1987, the Legislature repealed the mechanics of the funding formula from statute transferring the power to create the formula to the State Board of Education. The Legislature also discontinued line-item appropriations providing a lump sum to the State Board of Education for distribution.

The Legislature offered broad guidelines including:

- No state aid for hobby and recreation courses
- Procedures for proper and accurate record keeping
- Procedures that will insure reasonable year-to-year stability in funding

The Board, on average, changed the formula once every biennium. In 1995, the precursor to the current formula was created with the FTE count based on a three-year average, an operational base payment of \$400 per FTE up to 1,100 FTEs, and 50% of property tax collections included in the formula with colleges floored at the previous year's allocation. Colleges were capped at 10% growth per year.

The current formula was created in 1999 with per-FTE funding plus an operating base. Caps and floors were eliminated. Timber tax was included for the first time. Equity payments of \$3.6 million were provided to bring the colleges up to a statewide average for per-FTE resources. The strategic fund was created. And a five-year phase-in was allowed for the transition to the new formula design.

In 2001, equity payments were repealed. Equity was achieved in 2004 when all colleges were allocated the same funding amount per FTE after factoring out the base payment. A growth management component was added around 2010 to prevent the erosion of funding per FTE.

Contextual Data

Oregon Administrative Rule 589-002-0100 includes a purpose statement for the CCSF referencing a policy-driven distribution formula that “has been structured to support access, stability and quality, and to do so with equity for Oregon students.” Data in this section is intended to offer context in an effort to better understand how the existing formula supports these policy choices. Enrollment trends, completion data, and other information are included.

For enrollment, the trend in traditional measures of headcount and FTE enrollment are included in Table 9, along with reimbursable FTE which are those enrolled FTE eligible for reimbursement with state funding according to existing guidelines. In the past decade, all have declined the same 37% or 38%.

Meanwhile, the population of Oregon residents aged 16 or older has increased 13% during that same time period. Dividing the headcount enrollment by the population total and then multiplying by 1,000 calculates a metric that expresses the enrollment per 1,000 residents (aged 16 or older). This shows what proportion of the eligible population is enrolled in a community college and how that has changed over the past decade.

The headcount enrollment per 1,000 Oregon residents aged 16 or older has decreased 44%. A decade ago, 117 out of every 1,000 Oregon residents aged 16 or older were enrolled in a community college. In 2020, that number has dropped to 66.

	Headcount	Total FTE	Reimbursable FTE	Population, 16 and Older	Enrollment per 1,000 Residents
2010-11	363,665	125,234	119,515	3,089,357	117.7
2011-12	353,924	123,004	117,303	3,115,559	113.6
2012-13	335,233	117,239	112,104	3,149,891	106.4
2013-14	319,616	109,558	104,497	3,190,424	100.2
2014-15	305,470	102,540	97,361	3,237,593	94.4
2015-16	292,209	95,919	90,511	3,295,488	88.7
2016-17	281,222	93,197	88,330	3,354,821	83.8
2017-18	272,184	90,387	85,642	3,406,521	79.9
2018-19	261,458	86,309	81,793	3,447,488	75.8
2019-20	229,146	77,720	73,836	3,482,061	65.8
Variance (2019-20 to 2010-2011)	(134,519)	(47,514)	(45,679)	392,704	(52)
	-37%	-38%	-38%	13%	-44%

Notes: Headcount, total FTE, and reimbursable FTE data are from Community College Data Mart as of 8/20/2021. Population data are from the Oregon Department of Administrative Services, Office of Economic Analysis. Enrollment per 1,000 residents is headcount divided by population times 1,000.

When looking at headcount enrollment by age, the categories displayed include:

- Under age 18 or high school students
- Age 18 to 24 or traditional aged students
- Over age 24 or non-traditional students
- Unreported

Table 10 shows the proportion of high school students has increased from 8% in 2011 to 12% in 2020 while during the same time period the proportion of non-traditional aged students has dropped from 63% to 54%. It is still the case that non-traditional aged students make up the majority of community college students.

Table 10: Headcount by Age Group							
	< 18	18-24	Over 24	Not Reported	Total	% <18	% Over 24
2010-11	29,178	100,747	230,303	3,437	363,665	8%	63%
2011-12	28,181	99,723	222,391	3,629	353,924	8%	63%
2012-13	28,255	96,546	207,540	2,892	335,233	8%	62%
2013-14	29,431	93,014	195,112	2,059	319,616	9%	61%
2014-15	33,037	89,996	180,019	2,418	305,470	11%	59%
2015-16	35,008	88,389	166,907	1,905	292,209	12%	57%
2016-17	34,745	87,292	157,375	1,810	281,222	12%	56%
2017-18	34,188	85,451	150,455	2,090	272,184	13%	55%
2018-19	32,165	82,295	145,145	1,853	261,458	12%	56%
2019-20	27,558	76,176	123,684	1,728	229,146	12%	54%

Source: HECC, CC Headcount Enrollment, Community College Data Mart as of 8/20/2021.

Headcount enrollment can also be broken out by race/ethnicity which is aligned with State and Commission equity goals. Table 11 below shows the proportion of students from underrepresented racial groups (URG) has increased from 19% to 26% in the past decade.

The URG category includes Asian American, Black/African American, Hispanic/Latinx, Native American/Alaska Native, Native Hawaiian/Pacific Islander and those students who identify as one or more. Typically, 20% of students do not report this information and are noted as such.

Table 11: Headcount by Race/Ethnicity					
	Underrepresented Racial Groups	White	Not Reported	Total	% URG
2010-11	67,390	222,812	73,463	363,665	19%
2011-12	68,207	214,873	70,844	353,924	19%
2012-13	70,538	201,084	63,611	335,233	21%

2013-14	69,979	188,753	60,884	319,616	22%
2014-15	68,834	177,204	59,432	305,470	23%
2015-16	68,020	166,122	58,067	292,209	23%
2016-17	67,156	158,021	56,045	281,222	24%
2017-18	66,468	149,829	55,887	272,184	24%
2018-19	64,204	140,301	56,953	261,458	25%
2019-20	59,585	122,391	47,170	229,146	26%
Source: HECC, CC Headcount Enrollment, Community College Data Mart as of 8/20/2021.					

Students are enrolling for a variety of reasons. Table 12 below shows the 2019-20 academic year FTE by educational activity. Just over 89% of students enrolled for lower division collegiate work, career/technical education programs, or post-secondary remedial. The remaining 11% of students enrolled for basic or general education, continuing education or other purposes.

Table 12: FTE by Educational Activity (2019-20)		
Educational Activity	FTE	% of Total
Lower Division Collegiate	44,569	57.3%
Career/Technical Education	20,476	26.3%
Post-secondary remedial (Dev Ed)	4,222	5.4%
Subtotal	69,267	89.1%
Adult Basic Education	2,295	3.0%
English as a Second Language	2,020	2.6%
General Education	1,550	2.0%
Adult Continuing Education	1,444	1.9%
Hobby/Recreation	1,144	1.5%
Subtotal	8,453	10.9%
Total	77,720	100%
Source: HECC, Student Full-Time Equivalent (FTE) Comparison, Community College Data Mart as of 8/20/2021. Includes high school students in dual credit courses.		

For completion data, Table 13 shows the number of students, overall and by race/ethnicity, who earned an award in the last ten years. The total number of students earning a certificate or degree has increased over time even with changing enrollment. The increase was larger for most historically underrepresented racial groups, especially among Latino/a/x/Hispanic, Native Hawaiian/Pacific Islander, and multi-racial students. The number of Native American/Alaska Native students and the number of White students fell.

	Asian Amer	Black/African Amer	Latinx/Hispanic	Native American/Alaska Native	Native Hawaiian/Pacific Islander	White	Two or More	Not Known	Total
2010-11	486	210	850	176	28	8,940	156	940	11,786
2011-12	499	214	1,006	204	48	10,148	203	1,084	13,406
2012-13	669	278	1,320	258	49	11,861	384	1,143	15,932
2013-14	640	297	1,406	253	60	11,582	507	935	15,680
2014-15	632	273	1,648	220	77	11,356	534	984	15,724
2015-16	634	296	1,824	230	57	11,060	601	908	15,610
2016-17	680	316	1,854	211	67	9,918	603	962	14,611
2017-18	667	295	2,070	209	54	9,720	663	933	14,611
2018-19	649	313	2,213	189	61	9,620	706	1,362	15,113
2019-20	587	257	2,002	150	63	8,503	699	1,137	13,398
Variance (2019-20 to 2010-11)	101	47	1,152	-26	35	-437	543	197	1,612
	21%	22%	136%	-15%	125%	-5%	348%	21%	14%

Source: HECC analysis of student-level data.
Note: Not reported group includes international students, who may be of any race/ethnicity.

Students earn a wide variety of completions. Table 14 below shows the 2019-20 academic year completions earned by type. Just over half were for lower division collegiate work, with 43% for career/technical education programs. These data are broadly representative of the overall breakout of the past several years.

Associate of Applied Science	76	
Certificate	75	
Subtotal, Apprentices Programs	151	1%
Certificate Less than 1 year	843	
Certificate 1 year - less than 2 year	1,355	
Certificate Two Years or Greater	117	
Career Pathway Certificate of Completion	2,702	
Associate of Applied Science	3,288	
Associate of Science	1	
Subtotal, Career/Technical Education	8,306	43%
Associate of Arts Oregon Transfer	3,506	
Associate of General Studies	2,969	
Associate of Science	2,243	
Associate of Science Oregon Transfer (ASOT)	119	

Table 14: Completions by Type, 2019 - 2020		
Oregon Transfer Module	2,046	
Subtotal, Lower Division Coursework	10,883	56%
Total	19,340	100%
Notes: The data source is the HECC, Student Completions, Community College Data Mart as of 8/20/2021. Duplicated completions.		

Completion rates allow us to determine whether completion has increased relative to enrollment. In community colleges, completion of a program of study can be defined in many ways, including completion of a career and technical certificate, an associate degree, or of general education requirements prior to transferring to a bachelor’s degree-granting institution. The HECC uses a completion rate that includes all of these outcomes and shows what percentage of credential-seeking students complete their program of study or transfer within their first four years. This measure is a key performance metric for the HECC.

Table 15 shows this measure: the percentage of new, credential-seeking students who complete a career certificate or associate degree or who transfer to any four-year institution nationwide within four years, for all students and by race/ethnicity. The completion and transfer rate for all students has steadily increased over the last eight years, indicating rising student success at the colleges. In addition, the rates among racial/ethnic groups have narrowed slightly over time indicating at least some progress toward equity.

Table 15: Completion Rates by Race/Ethnicity (Students Entering Fall)								
	2008	2009	2010	2011	2012	2013	2014	2015
All Students	42.7%	44.6%	43.6%	43.7%	45.8%	47.8%	48.8%	50.0%
Asian American	43.2%	49.2%	52.9%	49.9%	52.6%	52.5%	55.3%	51.3%
Black/African American	35.1%	34.6%	35.1%	32.7%	33.7%	39.5%	38.4%	40.4%
Hispanic/Latinx	37.1%	38.5%	37.7%	37.4%	40.4%	44.4%	45.1%	46.0%
Native American or Alaska Native	32.7%	36.3%	32.1%	37.7%	33.2%	39.5%	44.4%	53.7%
Native Hawaiian or Pacific Islander	35.3%	38.2%	47.2%	42.3%	35.9%	45.4%	36.5%	39.4%
White	43.9%	45.6%	44.3%	44.9%	47.5%	49.8%	50.9%	52.3%
Notes: Key performance metric data updated February 2021. HECC analysis of community college data.								

These rates use student behavior to define “credential-seeking” as accumulating 18 or more quarter credits within the first two years of enrollment and who are new to that community college (although not necessarily new to postsecondary education) in the fall term. The rate defines transfer as showing any evidence of enrollment at any four-year institution nationwide

after the last enrollment in the community college and before the end of the four-year tracking period.

This credential-seeking cohort is part of a broader set of performance measures developed by the American Association of Community Colleges called the Voluntary Framework of Accountability²⁴ (VFA) that can be used for national comparisons. The VFA measures include six-year outcomes when compared to the more than 250 community colleges who participate in the measures.

Among the same credential-seeking cohort, 36% of Oregon students had earned a certificate or degree within six years, compared to 40% of students nationwide. An additional 24% of Oregon students had transferred to another school (two-year or four-year), compared to 22% nationwide. Among all students who were new to a college in the fall term (i.e. a slightly broader cohort), 22% of Oregon students earned a certificate or degree within six years, compared to 26% of students nationwide. An additional 26% of Oregon students transferred to another institution (two-year or four-year), compared to 24% of students nationwide.

Recent changes to the university funding formula were designed to help improve the completion rates of community college transfers. Following the formula review process concluded in early 2021, and in an effort to incentivize community college transfer completions, the formula changed how community college transfers were handled.

Previously, degrees earned by community college students were discounted within the university formula based on the theory that funding received by the university should reflect the proportion of courses actually taught at the university. Any other transfers, such as those from other institutions or from out-of-state, were not discounted within the formula.

There were two changes incorporated. First, all transfers are discounted, not just community college transfers, so that only 62.5% of the points (and thus the funds) generated by a transfer completion will be counted in the formula. Second, a bonus of 37.5% is provided to community college transfers so as to remove the prior discounting factor and treat them as if they were non-transfer students.

²⁴ <https://www.aacc.nche.edu/programs/voluntary-framework-accountability/>

External Review and Perspective

The Oregon Higher Education Landscape Study completed by the National Center for Higher Education Management Systems (NCHEMS) during 2022 includes an assertion that collective action should center around “continuing the emphasis on achieving equity in access to postsecondary education and in the success of students.” They also suggest that “arguments for increased state investments in higher education will come across as self-serving unless framed in the context of their contributions to achievement of high priority state goals.”

In framing their recommendations, NCHEMS suggested “student and state needs come first.” One of the specific recommendations is that “steps should be taken to purposely align state funding of both institutions and students with the goals expressed in the state’s revised strategic plan.”

Regarding the CCSF review specifically, they suggest the “model should use a rational framework that addresses the frugal needs of maintaining each institution’s value as an asset to the region and the state, variation in the costs of instruction based on scale (size) and scope (program array), performance incentives sufficient to drive sustainable and continuous improvement, and new investments tailored to community and regional needs.”

They go on to suggest that an outcomes component reward production of all degrees and certificates of value—including certificates produced by continuing education (noncredit) programs. They further suggest extra weight be given for degrees/certificate that are awarded to individuals identified as being in priority population groups.

Separately a performance audit of the HECC related to community colleges was conducted by the Oregon Secretary of State’s Audits Division with a report published in December 2022, numbered 2022-35. The report stated that, “...pursuing funding based in part on student performance [is]... an effort that could help focus the system on student success and equity goals.”

Further, they suggested that “effectively implemented, performance-based funding could help Oregon reach consensus on appropriate student success metrics, increase system focus on student success and equity, and boost transparency over college performance, all important steps identified in the audit.” They pointed out that “potential changes include adding funding to help colleges serve underserved students, allocating extra money for higher cost CTE programs, and rewarding colleges that adopt programs that move students into college-level math and English more quickly.” They suggested linking state funding to best practices and state goals.

One of the report’s six official recommendations stated that, “if performance-based funding is adopted, [the HECC should] develop a detailed plan to maximize and track systematic benefits and minimize potential negative results.”

Formula Review Process

Purpose

In Oregon Revised Statutes (ORS) 350.075(3)(f), the Commission is charged with the responsibility and authority to adopt rules regarding the community college funding formula. In order to ensure the formula is consistent with the strategic priorities of the state and the mission of community colleges, a review was conducted to consider evidence of success regarding the current formula, to consider other states' experiences, and to make any recommendations for improvement.

The CCSF Formula Review Workgroup was charged with the review and examination of Oregon's existing CCSF formula for alignment to, and support of, Oregon's higher education goals. The Workgroup was advisory to HECC staff. The Workgroup was encouraged to reach out to other stakeholders and subject matter experts during its review and examination phase.

The Workgroup was convened and supported by HECC staff. Thirteen meetings of the workgroup occurred from March 2022 through early February 2023 totaling approximately 36 hours of meeting time. Updates were provided to the Commission during nine public meetings of its Funding and Achievement (F&A) subcommittee from August 2021 through December 2022 with staff recommendations made during the February 2023 meeting.

Following the formula review process, a collaborative rulemaking process occurred. HECC staff used a Rules Advisory Committee (RAC) to develop the necessary rule amendments. The proposed rule amendments were submitted to the Secretary of State on April 19, 2023. A public hearing was held on May 17, 2023, with the rule amendments adopted by the Commission during its June 2023 meeting.

Early on, during the March 29, 2022 meeting, the workgroup discussed how to define and determine consensus. The workgroup decided to use a qualitative process that would allow members to express their relative level of agreement thereby demonstrating the quality and strength of consensus. Although the majority of the meetings were discussion based allowing all members to contribute, surveys and polls were also used to record consensus on specific questions and issues.

The workgroup revisited this discussion during its November 8, 2022 meeting and reiterated a preference for using a qualitative approach coupled with polling. Subsequently, polls were used during meetings to assess the level of support for various options under consideration.

Guiding Principles for the Review Process

During fall 2021, the HECC established the following principles to guide the review and examination of the CCSF formula:

- The full participation of institution and other key stakeholders in the review process is vital to achieving sound, equitable, student-focused policy.
- The CCSF formula should distribute state funding in support of student access and completion, the state’s higher education goals, and the Commission’s Strategic Roadmap.
- Recommendations should be informed by clearly defined and currently available data.
- The CCSF formula should apply objectively to all institutions with an emphasis on underrepresented populations.

Areas of Consideration

The following inquiry areas were identified by the HECC in collaboration with stakeholders for consideration during the review process:

- What are successful and equitable outcomes for community college students? What data is collected to measure progress toward achieving those outcomes? How does the formula currently support successful student outcomes?
- Are there ways the CCSF could support student success outcomes while recognizing the wide range of services colleges provide, especially for traditionally underserved populations?
- How might potential changes in the formula be funded or implemented to meet the identified outcomes?
- Should the CCSF continue to fund developmental education? Or should funding be allocated to support successful evidence-based models?
- What role if any, should certificate and degree pathways play in relation to the CCSF formula? Should there be different funding elements related to programs within the formula?
- What role if any, should transfer play in the CCSF formula?
- What role do the current elements play in the CCSF formula and should the current elements of the funding formula remain in place? Should any be adjusted?
- Are there identified areas where new money would be needed to support as there are not sufficient resources to support the activities as identified to support student success? (Unfunded mandates)
- How do we make the CCSF stable enough to make a projection and manageable and user friendly enough to be understood?
- What role does student affordability play within student access? How do we measure affordability?

Membership

Each college was invited to appoint one member and one alternate to the Workgroup. Additional representation was added in collaboration with stakeholder groups. The 26 appointed members, not including alternates, originated from a number of categories as noted below. The specific members and affiliations are listed in Table 16.

- Presidents – five
- Business Officers – six
- Student Affairs Staff – two
- Financial Aid Staff – one
- Institutional Effectiveness Staff – three
- Faculty – five
- Classified Staff – one
- OCCA – one
- HECC – two

Stakeholder	Primary	Position of Primary	Alternate
Blue Mountain	Mark Browning	President	Celeste Tate
Central Oregon	Alicia Moore	VP Student Affairs	Laurie Chesley
Chemeketa	Ryan West	Director Financial Aid	Bruce Clemetson
Clackamas	Tim Cook	President	Jeff Shaffer
Clatsop	Chris Breitmeyer	President	Jerad Sorber
Columbia Gorge	Courtney Judah	ED of Institutional Effectiveness	Marta Cronin
Klamath	Bill Jennings	Institutional Researcher	Roberto Gutierrez
Lane	Zach Evans	Assoc VP for Budget & Analysis	Mindie Dieu
Linn Benton	Sheldon Flom	VP for Finance and Administration	Jess Jacobs
Mount Hood	Lisa Skari	President	Jennifer Dement
Oregon Coast	Andres Oroz	VP Student Affairs	Birgitte Ryslinge
Portland	Eric Blumenthal	VP of Finance and Administration	Dina Farrell
Rogue	Lisa Stanton	VP of Finance and Operations.	Natalie Herklotz
Southwestern	Jeff Whitey	VP of Administrative Services	Leigh Fitzhenry
Tillamook Bay	Erin McCarley	Institutional Effectiveness	Ross Tomlin
Treasure Valley	Dana Young	President	Shirley Haidle
Umpqua	Natalya Brown	CFO	Rachel Pokrandt
Oregon Education Association (OEA)	Traci Hodgson	Statewide president; Chemeketa faculty	
Oregon Education Association (OEA)	Mary Middleton	Rogue CC faculty	
Oregon Education Association (OEA)	Pete Hernberg	Blue Mountain CC faculty	

Table 16: Workgroup Membership			
AFT – Oregon	Alex Jordan	PCC faculty	
AFT – Oregon	Emiliano Vega	PCC faculty	
AFT – Oregon	Fiora Starchild-Wolf	Lane CC classified staff	
Oregon Community College Association (OCCA)	Morgan Cowling	Executive Director	John Wykoff
HECC	Donna Lewelling	Director, CCWD	Celia Nunez
HECC	Jim Pinkard	Director, PFC	David Jarvis

Process Timeline

The formula review process included a two-phase approach. The first phase, which lasted through August 2022, focused on the development of the 2023-25 Agency Request Budget (ARB) and corresponding policy option packages. It also provided an opportunity for foundational conversations regarding student success, career technical education, and other topics such as developmental education redesign. Subject matter experts and presenters were scheduled to provide context on various topics. This phase was discussion oriented.

The second phase, which lasted through early February 2023, considered the mechanics of the existing funding formula. An external group, HCM Strategists, facilitated the meetings occurring during the second phase. This phase started in September 2022 with a recap of the foundational discussions that occurred to date. This allowed the workgroup members to reflect on the foundational conversations that occurred during the first phase with an eye toward how their understanding of various issues (i.e. equitable student success, high school to college, adult learners, student success, CTE career pathways, developmental education, and transfers) could affect their thinking of the formula’s design.

The conversation then turned to the strengths of the current model and other approaches from other states including both enrollment and outcomes-based components. HCM Strategists walked the group through the various issues discussed and how those issues could influence the formula design. They used examples from across the nation during the discussion. This led the workgroup to generate common ground around improving the formula’s approach to adult learners, CTE, and equitable student success.

The workgroup was then asked to reflect on certain, specific questions via a survey. The questions focused on how to incorporate the common ground ideas into the formula. The survey and its results are described in more detail later in this report.

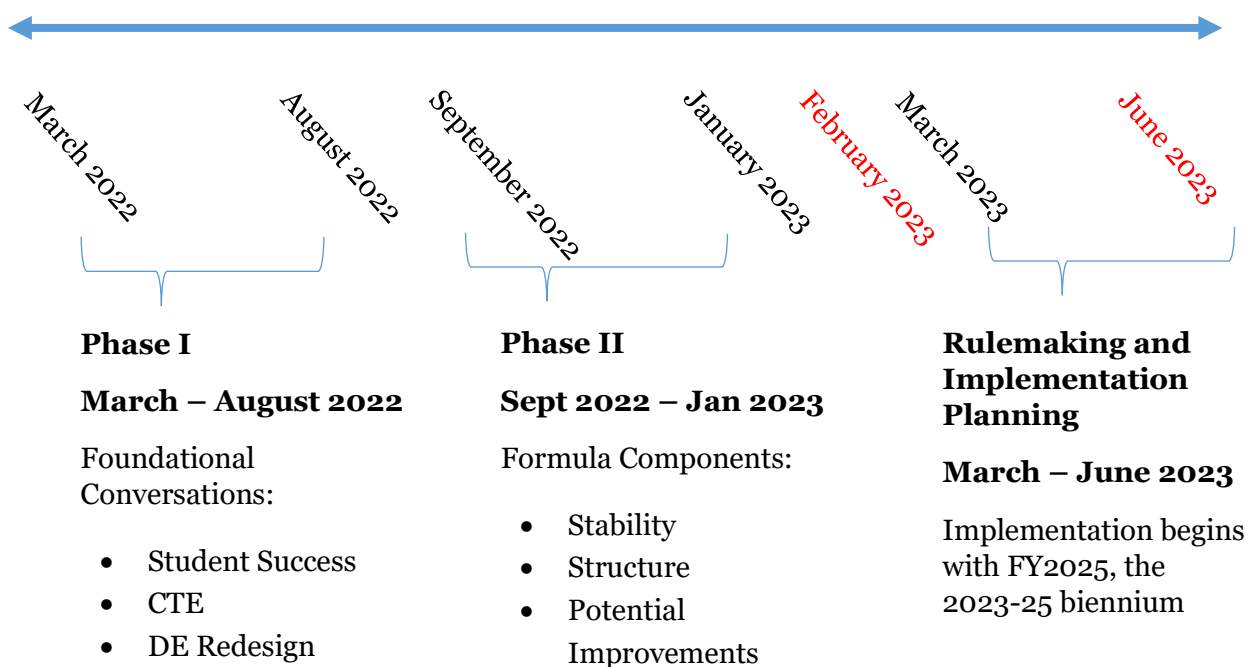
The survey results were communicated to the Commission at its December F&A meeting. This allowed for reflection by the Commission on the workgroup’s preferences. After considering the

Commission’s feedback, the workgroup membership came up with a proposed formula framework at its December 2022 meeting. Additional discussion during subsequent meetings in January and February 2023 helped define consensus around the details of the components.

The workgroup membership decided to create a taskforce during the second phase of the review process. The taskforce was a subset of workgroup members; however, the taskforce meetings were open to the entire workgroup membership with other workgroup members routinely participating. The goal of the taskforce was to consider the technical details of implementing the broader policy decisions of the workgroup.

HECC staff recommendations were made to the Commission at its February 2023 meeting. Following the formula review process, HECC staff formed a Rules Advisory Committee (RAC) which included 31 total members with representation from all 17 community colleges, as well as the Oregon Community College association and other key stakeholder groups. The members included all of the formula advisory group members plus a few additional institution voices. The RAC met seven times during March and April 2023 to update the rules governing the distribution of funds.

The work focused on three rules in particular included in Chapter 589, Division 2 of Oregon Administrative Rule (OAR). This included rule 589-002-0100, 589-002-0110, and 589-002-0120. In general, the rule amendments focus on updating outdated language, clearly distinguishing between the CCSF and the distribution model, and incorporating rule language to implement the proposed recommendations.



The formula review workgroup’s meeting dates are noted below with a summary of the discussion that occurred at each meeting. Not all workgroup members were present for all meetings. The average attendance rate was 74%. A summary of discussion during each meeting is included in Table 17 with more context provided later in the report.

Table 17: Summary of Workgroup Meetings	
Meeting Date	Summary of Discussion
March 16, 2022	CCSF Tutorial to review current funding model.
March 29, 2022	First meeting of CCSF Workgroup. Reviewed Charge, Areas of Consideration, Timeline. Completed Work plan.
April 22, 2022	Discussion of survey results (Equitable Community College Student Success survey), who the colleges serve, possible ways to measure success including national metrics.
May 16, 2022	Conversation around CTE career pathways, student experience, data trends, noncredit training certificates, and success measures.
June 2, 2022	Discussion of developmental education nationally and in Oregon with presenters including Sue Bickerstaff, CCRCQ; Elizabeth Cox Brand, OCCA; Central Oregon CC Staff; and HCM Strategists.
July 13, 2022	Transfer issues were discussed at length with invited guests including Dr. Lara Couturier for a national overview, Donna Lewelling for a state overview, and Teresa Riveness for a local perspective; discussion of the Oregon Transfer Council work and transfer compass.
September 21, 2022	Discussion included a recap of equitable student success, high school to college, adult learners, student success, CTE career pathways, developmental education, and transfers along with a conversation of how that could affect the formula.
October 14, 2022	Discussed CCSF feedback; specifically, the strengths of the current model and other formula approaches for consideration from other states including both enrollment and outcomes components.
November 8, 2022	Discussion of formula approaches to advance the principles and translating workgroup feedback into a formula framework.
December 15, 2022	Discussion of feedback received from Commission’s December F&A meeting; presentation of proposed formula framework.
January 13, 2023	Discussion of proposed formula framework. Discussion and decision making around specific elements and options including

Meeting Date	Summary of Discussion
	headcount versus FTE, weighting methodology, student success metrics, and weighting for student success metrics.
January 27, 2023	Live data was added to a working formula model based on the proposed framework and reviewed with the workgroup. Discussion continued around details within the added components. Based on polling data, consensus support existed for the design of the student support component. However, for the student success component, consensus existed for using student success metrics, specifically completions. Progression metrics were supported by half or fewer of those voting based on concerns that non-credit student success would largely be excluded from the progression metrics.
February 1, 2023	Discussion continued around the details of the student success component along with other details. Polling data showed support for both progression and completion metrics, adding a non-credit metric for progression, keeping the GMC while adding a stability review process, and sourcing the funding for student support/success off the top of the formula like a set aside.

Funding Formula Policy Principles

During spring 2022, the formula review workgroup established the following policy principles to ensure the funding formula:

- Aligns with state goals and priorities.
- Holds true to the broad mission of community colleges, including access, completion and workforce development.
- Reflects the diversity across colleges, including region, missions, and student bodies.
- Incentivizes and supports institutions to invest in student success and evidence-based practices.
- Prioritizes equitable student access and success by factoring in differential needs and costs among student groups.

Implementation Guidelines

The workgroup also established the following implementation guidelines so that any changes ensure the funding formula:

- Is stable and predictable.
- Provides sufficient core funding to support operations and maintenance for all colleges.

- Is simple to understand and easy to explain to a diverse group of state, campus, and community stakeholders.
- Uses data that are valid, reliable and consistently available.
- Will phase-in implementation to allow institutions to respond/avoid unintended consequences.
- Establishes a regular review process (minimum of every 3 years) to strengthen the model and address any unintended consequences.

Workgroup Consensus

During summer 2022, the workgroup identified advantages of the current funding formula to include that:

- It is stable and predictable.
- It provides colleges the autonomy to pursue mission, community, and student population driven priorities.
- It supports small colleges effectively through the base payment component.
- It equalizes funding appropriately between state resources and local resources.

However, the workgroup also concluded the current funding formula could be better aligned with existing state higher education goals and could be more student centered. One workgroup member stated, “there is nothing motivational or student centric about the current formula, but there is a lot of institutional autonomy on the other side.” This led to common ground identified by the workgroup with a focus on:

- **Adult Learners** – to encourage the increased enrollment and completion of adult learners in alignment with the state’s existing adult attainment goal.
- **CTE/Workforce** – to account for the additional cost of more expensive CTE/workforce programs. Potentially focusing on credentials that are in high-demand areas as defined by workforce needs.
- **Equitable student success** – accounting for the additional costs of helping underserved students succeed; a movement toward something that is more student-centric and more focused on student success; flexible enough to help colleges support the communities they serve.

A survey was conducted of the workgroup membership in November 2022 to determine the level of support for various ideas related to these considerations. The questions and results are included in full in the Appendix A in Table C. The survey results demonstrated support for:

- Focusing on CTE/workforce and adult students using enrollment with limited support for weighting high-value CTE/workforce courses.
- Including priority populations regardless of the data limitations, but with a delayed implementation to improve data quality. The priority as measured by the level of support is low-income.
- Including non-credit courses and credentials.

- Using earned credit hours benchmarks for outcomes metrics.
- Using 10% or less of CCSF funding for outcomes/progression metrics.
- Specifying a funding amount for targeted funding rather than a percentage of total funding.

HECC Commissioner Feedback

The HECC met and discussed the CCSF review process at the December 2022 meeting of the F&A subcommittee. They received an update on the survey results along with an update from the Oregon Presidents Council (OPC). They provided the following reflections:

- The Commission cares deeply about completion and expressed an interest in having the workgroup recommend its logical place within the formula.
- There is support for using multiple completion measures with the workgroup encouraged to recommend the most appropriate. They expressed a firm belief that everyone needs to have an opportunity to help shape the recommendations.
- The commissioners asked the workgroup to focus on equity and to consider what it means through the formula to serve the populations with the highest barriers to success.
- The commissioners wanted the workgroup to know it is proposing an increase to the CCSF that is much larger than what it is asking to leverage in the formula and that this review process represents an important opportunity to advance the success of the colleges.
- The Commission is committed to doing this work thoughtfully and inclusively, understands how difficult the conversations can be, is listening intently, and appreciates the commitment and participation from stakeholders.

Proposed Model

At its December 2022 meeting, the formula review workgroup discussed the Commission's feedback. A number of members expressed continuing concerns over using outcomes-based metrics in general, but suggested they could support something that includes credential outcomes. One member suggested CTE is a better outcome while another suggested wages and employment outcomes should be the ultimate goal.

Others expressed that changes to the formula should be student-centered and should align with accountability expectations in consideration of the existing state adult attainment goal. Others suggested creating a model that focuses on equity thereby providing funding for the neediest students. Some suggested that adding a focus on equitable student success should include both progression and completion metrics. Additional discussion revolved around the inclusion of an equity focus, and on the need to support traditionally underrepresented students.

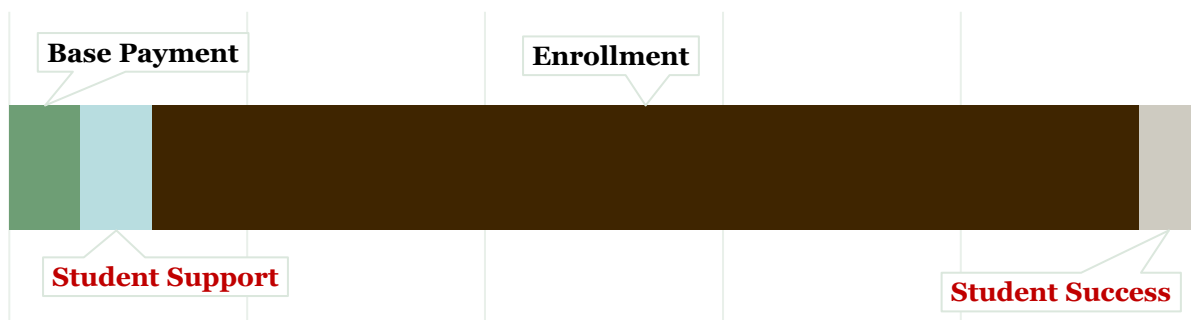
With discussion, the workgroup reiterated its support for:

- Including both credit and non-credit coursework, credentials, and students alike.

- Weighting all CTE/workforce courses equally and not focusing solely on high-value or high-demand while exploring a separate request for start-up funding for new programming.
- Focusing on priority populations that are consistent with the current adult attainment goal which includes low-income, adults, CTE/workforce, and traditionally underrepresented students as identified by race/ethnicity.

A proposal was made by workgroup members to amend the current funding model. The current model includes a base payment with the bulk of resources allocated by enrollment and equalized between local property tax revenue and state funding. The proposed model envisions adding two components: one for student support and one for student success. Figure 18 is a graphical representation of the proposal.

Figure 18: Proposed Model



When presented, the model was well received by the workgroup membership. One member commented they could “see more wisdom in this one. It strikes a good balance.” Others positively noted the parallel design of including equity populations at both ends of the student success continuum.

The intent of the proposed model is to focus on equitable student success by accounting for the additional costs of serving traditionally underrepresented students. It takes a parallel approach in first providing the resources to support students upfront and then emphasizes student success on the backend. The four populations of students prioritized within the two additional components include low-income, adults, CTE/workforce training, and traditionally underrepresented students as identified by race/ethnicity. This student-centered approach provides the colleges with the continued flexibility needed to support the communities they serve.

The calculation of the proposed student support allocation is based on a weighted three-year average of enrollment for certain students who attempted a reimbursable course. This includes

both credit and non-credit coursework. The intent is to provide additional funding for students who are from one or more of the four prioritized populations.

At its January 13, 2023 meeting, the workgroup membership largely expressed support via discussion for using headcount enrollment for the calculation and an incremental weighting approach. Therefore, the proposed calculation will be points-based whereby points will be allocated for each student in one or more of the four populations with additional weighting added for students in more than one population. Table 19 includes the total headcount enrollment along with the headcount enrollment for each priority population during academic year 2021-22.

The four prioritized populations include the following headcount students who attempted a reimbursable course (with the exact data definitions included in Appendix B):

- **Low-income** – The number of students who received a Pell Grant sometime during the academic year at any college in Oregon.
- **Adult** – The number of students who were aged 25 or older.
- **CTE/Workforce Training** – The number of students for whom the plurality of their coursework was CTE based which includes coursework defined by the series 200 activity codes.
- **Underrepresented (URP)** – The number of students who identify in one of the groups below:
 - Asian American/Asian
 - Black/African American
 - Latino/a/x/Hispanic
 - Native American/Alaska Native
 - Native Hawaiian/Pacific Islander
 - Two or more of the above

College	Total Headcount	Low-Income	Adult	CTE	URP
Blue Mountain	3,805	510	1,144	1,078	1,166
Central	11,877	1,359	5,454	4,097	1,733
Chemeketa	17,672	3,344	7,082	4,760	6,796
Clackamas	18,860	1,466	9,914	7,124	3,987
Clatsop	2,793	292	1,436	1,312	388
Columbia Gorge	2,916	233	1,516	1,273	668
Klamath	5,030	682	1,831	1,513	1,386
Lane	14,587	2,353	5,253	3,096	3,939
Linn Benton	12,046	1,399	4,576	2,513	2,440
Mt. Hood	17,325	1,545	9,583	8,810	5,688

Table 19: 2021-22 Total Headcount and Priority Population Enrollment					
College	Total Headcount	Low-Income	Adult	CTE	URP
Oregon Coast	1,674	181	650	231	313
Portland	50,502	8,765	22,074	8,735	16,847
Rogue	7,677	1,837	3,586	2,263	2,249
Southwestern	4,019	614	1,776	1,060	780
Tillamook Bay	1,947	147	1,193	438	316
Treasure Valley	4,837	675	1,411	1,761	1,092
Umpqua	9,659	974	5,422	5,201	810
TOTALS	187,226	26,376	83,901	55,265	50,598

Subsequent to the January 13th meeting, live data was added to a calculation workbook based on the proposed framework. The pro forma workbook was reviewed with the workgroup during its January 27, 2023 meeting. Based on polling data, support existed for the calculation of the student support component as described above with 77% of those members voting that they support its design while noting the limitations of the low-income and CTE/Workforce Training student metrics.

The design of the student success component was the subject of much debate. During the January 13, 2023 meeting, the workgroup discussed calculating the student success allocation based on metrics that include both progression and credential completion with additional weighting provided for students from one or more of the four prioritized populations.

A poll of the workgroup taken during its January 13, 2023 meeting found that 83% of those voting supported using 15 credit hours as a threshold, 56% of those voting supported using 30 credit hours as a threshold, and 67% supported using gateway course completion. The 15- and 30-credit hour thresholds are based on research from the Community College Research Center (CCRC) at Columbia University and the experience of colleges in the State of Washington who have implemented a similar approach.

That same poll showed exactly 50% of those voting indicated support for including credential completions. Additionally, 65% of those voting indicated support for additional weighting of student success metrics for the four prioritized populations.

The proposed student success metrics discussed during the January 13, 2023 meeting included the following (with the exact data definitions included in Appendix B):

- The number of students who have earned at least 15 credits.
- The number of students who have earned at least 30 credits.

- The number of students who have earned credit in a college-level English, writing, or math course.
- The number of students who have earned a credential. This includes all credit and non-credit credentials (degrees and certificates) completed as currently reported in D4A.

The workgroup continued the discussion at its January 27, 2023 meeting with a focus on the definitions of the student success metrics. Specifically, which students would be included in the progression metrics. There was much concern expressed over the exclusion of non-credit and CTE/workforce training credential seeking students in the progression metrics which is inconsistent with the common ground identified during the workgroup’s previous discussions.

There was discussion of the gateway courses noting that many CTE/workforce training programs do not require a traditional college-level math, writing, or English course for completion. There was discussion of potentially weighting the gateway courses by one-half or one-third to ensure they do not overweight the resulting calculation. A poll taken during the January 27, 2023 meeting showed 38% of those voting supported that option. There was also discussion of counting just the first gateway course completed instead of math, writing or English. Polling data showed 62% of those voting supported that option.

Discussion turned to the potential of adding a non-credit metric. One option was a clock-hour based metric with 27% of those voting in support. Another option was adding more weight in the calculation for the completion of non-credit courses with 20% of those voting in support. Meanwhile, 47% of those voting concluded there was not enough information at the present to decide.

Discussion continued around existing data collected and currently available for use noting that one of the review principles is to use currently available data. Many remained concerned about the exclusion of non-credit students in these metrics as non-credit programs are a growing portion of many colleges’ offerings. More information on for-credit and non-credit enrollment over time is included in Tables 20 and 21.

	For-Credit		Non-Credit		Total FTE
	FTE Enrollment	% of Total	FTE Enrollment	% of Total	
2021-22	52,248	86%	8,615	14%	60,863
2020-21	56,417	87%	8,397	13%	64,814
2019-20	62,795	85%	11,041	15%	73,835
2018-19	68,767	84%	13,026	16%	81,793
2017-18	71,839	84%	13,802	16%	85,641

	Lower Division Collegiate	Career/ Technical Education	English Language	ABE/GED/ Adult High School	Developmental Education	Continuing Education
2021-22	10%	25%	20%	31%	2%	12%
2020-21	12%	26%	16%	35%	2%	9%
2019-20	11%	24%	16%	29%	6%	13%
2018-19	11%	25%	16%	27%	7%	15%
2017-18	11%	24%	16%	28%	6%	14%

Other comments focused on potential unintended consequences, the strength of the incentives within the student success component, assuming it would only ever amount to 5% of total funding, and the challenges associated with measuring the progression of non-credit students in general.

A poll was taking during the January 27, 2023 meeting asking which student success metrics should be used in the formula. The results were mixed with 50% of those voting supporting 15 credit hours, 43% supporting 30 credit hours, 50% supporting gateway course completion, 71% supporting completion, and 29% indicating they supported the use of no student success metrics. The support for using credential completion as the student success metrics increased since the previous meeting.

The conversation continued during the February 1, 2023 meeting of the workgroup. Polling data during the meeting showed that 71% of those voting supported using both progression and credential metrics with 71% also supporting the inclusion of a non-credit metric. A proposal was made to add a non-credit metric, to the list of metrics previously proposed, that would be defined as the number of students who earned six contact hours in activity code 363 courses and twelve contact hours in activity code 310, 320, 330, or 340 courses. This includes adult basic education, adult high school, English as a second language, and other coursework that is typically non-credit in nature.

The discussion also focused on the weighting of progression and completion metrics. Polling data during the February 1, 2023 meeting showed that 54% of those voting supported more weight for progression metrics while 15% support more weight for completion metrics with 31% supporting an even distribution.

There was also discussion of the growth management component (GMC) during the January 27th meeting. In a larger sense, there was a discussion about how to incorporate funding stability within the formula design. Table 22 provides an overview of stability mechanisms in general.

Table 22: Types of Stability Mechanisms	
Automatic	<ul style="list-style-type: none"> • Calculated as part of the normal formula routine without regard to circumstance (enrollment, state funding level, etc.) • Examples – three-year average of data; increasing amounts of funding used during implementation.
Manual	<ul style="list-style-type: none"> • Often a separate calculation. • Should be based on circumstance. • Examples – stop-gain, stop-loss, hold harmless.

The current formula uses an automatic stability mechanism in that the data used is based on a weighted, three-year average. Doing so smooths out the peaks and valleys associated with volatility in the annual data. The use of automated stability mechanisms is expected to continue.

The current formula also uses a stop-gain mechanism called the Growth Management Component or GMC. This component was added after the great recession beginning with the 2011-13 biennium to prevent the erosion of funding per FTE. It essentially caps the number of funded FTE per college after allowing for a reasonable level of growth. If a college grows above the capped level, they must fund that enrollment growth with local resources.

The GMC was added during a time when enrollments were growing and state funding was flat or declining. The concern at the time was that larger, urban colleges would consume the majority of the additional, available state dollars leaving rural colleges with a reduced level of financial support. The GMC initially accomplished its goal; however, it also unintentionally affected smaller colleges, most notably Tillamook Bay and Klamath. A review of the GMC after implementation found these colleges did not receive state funding for all of their FTE growth during FY2012 through FY2014.

A growth management workgroup was established in 2016 to review the GMC and its unintended consequences. This work led to a cap of the GMC in that OAR 589-002-0120 (6)(c) was updated to state, “Beginning with the 2017-19 biennium, the Growth Management Component shall only apply to reimbursable FTE at or above 1,101.” This exempted smaller colleges from the GMC so they could benefit from the entirety of their enrollment growth. Currently four colleges are exempted including Clatsop, Columbia Gorge, Oregon Coast, and Tillamook Bay. However, in the recent past, the GMC cap has continued to affect Klamath Community College since their enrollment is over the cap but below 2,000 FTE.

The circumstances for which the GMC was created to respond no longer exist. Eliminating the GMC will likely have a minimal impact on the funding distributions by college as noted in Table 23. The GCM prevents Klamath from receiving funding for 13 FTE. Therefore, removing the GMC would fund those FTE and reallocate the funding from the other colleges.

Table 23: Projected Impact of Removing the GMC				
College	FY2023 Current Distribution	FY2023 Adjusted Distribution	Variance	
Blue Mountain	3,684,368	3,682,255	(2,113)	(0.1%)
Central	9,904,920	9,898,734	(6,186)	(0.1%)
Chemeketa	36,362,869	36,350,265	(12,603)	(0.0%)
Clackamas	19,196,806	19,188,318	(8,488)	(0.0%)
Clatsop	3,765,770	3,764,150	(1,620)	(0.0%)
Columbia Gorge	5,875,528	5,874,266	(1,262)	(0.0%)
Klamath	14,508,728	14,616,227	107,499	0.7%
Lane	27,700,840	27,690,526	(10,314)	(0.0%)
Linn Benton	24,397,119	24,390,312	(6,807)	(0.0%)
Mt. Hood	35,126,640	35,116,660	(9,980)	(0.0%)
Oregon Coast	3,213,679	3,212,929	(749)	(0.0%)
Portland	119,393,247	119,360,436	(32,810)	(0.0%)
Rogue	9,746,061	9,740,886	(5,715)	(0.1%)
Southwestern	8,387,456	8,384,599	(2,857)	(0.0%)
Tillamook Bay	3,455,540	3,454,745	(795)	(0.0%)
Treasure Valley	8,972,794	8,970,623	(2,171)	(0.0%)
Umpqua	14,215,105	14,211,536	(3,568)	(0.0%)
TOTALS	\$347,907,468	\$347,907,468	-	-

When presenting this information to the workgroup, some members expressed concern about future volatility in the formula. If the GMC is abandoned, then how is funding stability ensured? One way to do so is to commit to a stability review process.

Instead of incorporating a fixed, manual stability mechanism that responds to only one set of circumstances, it is possible to engage in a conversation with college stakeholders every biennium around funding stability. Once enrollment and state funding levels are known, the colleges can collaborate with HECC staff on modeling funding distributions by college and can then recommend the use of a manual stability mechanism as needed.

During the February 1, 2023 meeting, polling data showed that 21% of those voting supported keeping the GMC while 14% supported incorporating a stability review process without the GMC. The majority of those voting, 64%, voted to pursue both which means keeping the GMC while adding a stability review process.

Additional discussion centered on how to source the funding for the student support and success metrics. The discussion revolved around sourcing the funding through the equalization portion of the formula or off the top of the formula. “Off the top” means the funding for the newly added components would be treated like categorical funding or a set aside in a similar fashion to how the strategic fund currently works. A poll taken during the February 1, 2023 meeting showed that 92% of those voting supported taking the funding off the top and recommended treating the funding like a set aside similar to the strategic fund.

HECC Staff Recommendations

HECC staff presented its recommendations during the February 2023 F&A Subcommittee meeting which forms the basis of the HECC Recommendations outlined in the following section. Adjustments were made by the Commissioners as they responded to concerns heard from stakeholders during the meeting and via written testimony. All written testimony provided was posted as part of the meeting materials on the HECC’s website. The concerns heard, and the Commission’s response, are summarized below.

Data definitions, specifically low-income. Continued collaboration will occur to develop more clarity around the proposed metrics. The concerns related to the definition of low-income were addressed by a commitment to include OOG recipients who are not Pell eligible.

Fund student-focused components with new money. Some stakeholders recommended any formula changes should be implemented with new money only. New money being defined as state funding that exceeds CSL. The Commission reiterated the importance of the proposed changes and committed to implementing them regardless of funding level.

Compressed review timeframe. Stakeholders expressed concern about the compressed review timeline and recommended the implementation be delayed until FY2025. The Commission agreed thereby allowing for additional review, but also committed to voting on amended rule language during summer 2023. Further, they stated the implementation period will conclude at the end of the 2027-29 biennium.

Elimination of the GMC. Concerns were raised about the potential removal of the GMC prior to identifying a replacement. In response, the Commission committed to keeping it.

Unintended consequences during the implementation phase. Concerns were expressed over the possibility of unintended consequences occurring during implementation and the need for a formula review to identify them. The Commission committed to a technical review two years after implementation while also clearly stating the purpose of the review would be limited to unintended consequences. It will not be a policy review.

HECC Recommendations

Emerging research suggests that for community college funding systems to be equitable, they must account for the different levels of support needed to provide students from different backgrounds an equal opportunity to succeed.²⁵ This suggests a need to amend the current community college funding formula so that it is more student-centric in order to help facilitate equitable student success.

Adding two student-focused components will distribute formula funding in support of those who face the highest barriers and will emphasize student progression and success. Therefore, HECC recommends adopting the workgroup’s proposed model. To retain the strengths of the existing model, the majority of funding will continue to be distributed via enrollment equalized among state and local resources (i.e. property tax revenue).

The transition to the amended model will occur over time to ensure stability. Eventually ten percent of the CCSF will flow through the new student focused components. A full set of HECC recommendations is included in Table 24.

Implementation of the recommendations is expected to begin with FY2025 which starts June 2024. Starting a full year after rule adoption will allow stakeholders to better understand the formula’s likely impact on distributions and incorporate this understanding into institutional decision making.

Policy Issue	Recommendation	Additional Information
Student Support Funding	<ul style="list-style-type: none"> • Add a component to the formula based on headcount enrollment using the existing weighted, three-year average approach for priority populations of students. • The priority populations include low-income, adults, underrepresented as identified by race/ethnicity, and CTE/Workforce Training. • Funding is added for those identified from multiple 	<p>The workgroup developed common ground via discussion around addressing adult learners, CTE/ Workforce Training, and equitable student success in a modified formula design.</p> <p>When polled, 77% of workgroup members who voted indicated support for this design noting concerns related to the low-</p>

²⁵ Jesse Levin, Bruce Baker, Jason Lee, Drew Atchison, and Robert Kelchen, *An Examination of the Costs of Texas Community Colleges*, Institute of Education Sciences, October 2022.

Table 24: Summary of HECC Recommendations

Policy Issue	Recommendation	Additional Information
	<p>populations including 20% for two, 30% for three, and 40% for four.</p>	<p>income and CTE/ Workforce Training population metric definitions.</p>
<p>Student Success Funding</p>	<ul style="list-style-type: none"> • Add a component to the formula using the existing weighted, three-year average approach for both progression and credential completion metrics. • The progression metrics include: <ul style="list-style-type: none"> ○ Credit hour thresholds for students earning 15 and 30 credits including non-credit students. ○ The number of students who have earned credit for a gateway course. ○ Contact hour threshold for students in noncredit courses • The completion metrics include all credentials currently reported. State approved credit and non-credit credentials are to be treated equally. • Additional weighting of 50% is applied for completions earned by members of the priority populations noted above. • Progression metrics weighted at 10%. Completion at 100%. Priority population completions at 150%. 	<p>The workgroup members generally supported adding this component; however, much discussion occurred around the design of it.</p> <p>After discussing the benefits and shortcomings of both progression and completion metrics, polling data showed 71% of workgroup members supported including progression and completion metrics in the design while 65% supported extra weighting for the priority populations.</p> <p>Concerns were expressed over data definitions. Continued collaboration will occur to better understand the metrics, their definitions, and potentially refining the data used. The concerns specifically related to the definition of low-income students. In response, HECC staff will include OOG recipients who are not Pell eligible (ORSAA filers).</p>

Table 24: Summary of HECC Recommendations

Policy Issue	Recommendation	Additional Information
<p>Funding set aside for Student Support and Student Success</p>	<p>Allocate no more than 10% of the total, biennial CCSF allocation to the recommended student support and student success components.</p> <p>This funding is to be sourced in a similar manner as the strategic fund, or as a “set aside.”</p>	<p>Consistent with workgroup’s implementation principles that “targeted funding” be no more than 10% of the biennial CCSF allocation.</p> <p>During workgroup proceedings, polling data showed 92% of those voting supported taking this funding “off the top” like the set aside programs are currently.</p> <p>Stakeholders recommended formula changes should only be adopted and implemented with new money, or state funding that exceeds CSL. In weighing this request, the Commission reiterated the importance of aligning the formula with state goals regardless of funding level.</p>
<p>Implementation Timeline</p>	<ul style="list-style-type: none"> • 23-25 biennium: \$12.5M • 25-27 biennium: \$50M • 27-29 biennium: \$70M <p>The transition to the new formula will occur over five years starting FY2025 and ending FY2029. Thereafter, 10% of the CCSF will be used for SFF. The SFF amount by year during implementation:</p> <ul style="list-style-type: none"> FY25 – \$12.5M FY26 – \$21M FY27 – \$29M FY28 – \$33M 	<p>Consistent with workgroup’s implementation principles.</p> <p>Concern was expressed about the compressed review timeline. Workgroup members recommended delaying implementation until FY2025.</p> <p>The Commission agreed to suspend implementation until FY2025. However, the Commission committed to voting on amended rule</p>

Table 24: Summary of HECC Recommendations

Policy Issue	Recommendation	Additional Information
	<p>FY29 – \$37M FY30 and after – 10% of CCSF</p> <p>For FY2025 through FY2027, funding will be split 60% for student support and 40% for student success. It will be 50%/50% thereafter.</p>	<p>language during summer 2023 and stated the formula should be fully implemented by the end of the 2027-29 biennium.</p>
Review Timeframe	<p>The CCSF should be reviewed every five years to address unintended consequences, to ensure continued alignment with state goals, and to review data accuracy.</p> <p>In an effort to identify unintended consequences with the implementation, conduct a technical review during FY2027, two years after implementation. The scope of this review will be limited to unintended consequences only. After that, reviews will be on a five-year cycle.</p>	<p>Workgroup suggested every three years. However, staff recommends five to be consistent with university review cycle and for funding stability.</p> <p>Stakeholders expressed concerns over potential unintended consequences during implementation. In response, the Commission committed to conducting a technical review two years after implementation while clearly stating this review should not be a full policy review.</p>
Stability Management	<p>Keep the Growth Management Component (GMC) and related biennial quality growth factor.</p>	<p>Consistent with OPC recommendations.</p> <p>Concerns were raised about the removal of the GMC prior to identifying a replacement. In response, the Commission committed to keeping the GMC.</p>

Potential Impact

The proposed redesign will lead to a more student-centered approach providing additional resources for prioritized populations who often face the highest barriers to success. The recommendations build on the strengths of the current formula, align with state higher education goals, and center equitable student success. The result is that redistributing funding based on prioritized populations will provide additional funding of approximately twelve percent per student based on initial calculations once the proposed model is fully implemented.

Table 25 includes the potential impact of the recommendations on each college's funding distribution. Although the recommendations are not expected to be implemented until FY2025, this table considers the projected distributions for FY2024 using the funding levels noted within the 2023-25 Governor's Request Budget calculated two different ways: one using the proposed recommendations outlined in this report and the other using the current funding model.

Table 25: Projected Impact on Funding Distributions				
College	Proposed Model	Current Model	Variance	
Blue Mountain	3,442,389	3,430,871	11,518	0.3%
Central	11,669,329	11,694,090	(24,761)	-0.2%
Chemeketa	38,806,207	38,937,899	(131,692)	-0.3%
Clackamas	21,051,037	20,929,001	122,036	0.6%
Clatsop	3,570,344	3,555,014	15,330	0.4%
Columbia Gorge	6,363,729	6,341,002	22,727	0.4%
Klamath	16,405,746	16,458,242	(52,496)	-0.3%
Lane	29,077,153	29,142,488	(65,335)	-0.2%
Linn Benton	25,956,639	26,035,485	(78,846)	-0.3%
Mt. Hood	38,718,091	38,609,591	108,500	0.3%
Oregon Coast	3,650,481	3,655,654	(5,174)	-0.1%
Portland	130,565,474	130,806,401	(240,927)	-0.2%
Rogue	9,490,714	9,420,187	70,526	0.7%
Southwestern	9,081,542	9,093,449	(11,907)	-0.1%
Tillamook Bay	4,130,487	4,121,092	9,396	0.2%
Treasure Valley	10,051,155	10,038,703	12,452	0.1%
Umpqua	15,397,029	15,158,374	238,654	1.6%
TOTALS	\$377,427,546	\$377,427,546	-	-
Note: This analysis projects funding distributions for FY2024 using the funding level for the CCSF noted in the 2023-25 Governor's Request Budget. Enrollment, property taxes, and the base payment amount are all projected as part of the calculations.				

The two new components, Student Support and Student Success, will be treated like set aside programs. This means funding for them will be set aside and taken off the top of the CCSF appropriation before the calculations are made for base payments and equalized enrollment. Funding for the new components will be distributed to the colleges at the same time as funding for base payments and enrollment is distributed. The calculations for base payments and equalized enrollment will remain the same as explained earlier in this report.

The distribution of funding for the Student Support and Student Success components will be determined by a points-based allocation. In general, this means points will be calculated for each college with the funding then allocated proportionally based on the total available funding. More details are provided below.

Student Support Funding. The calculation for student support funding is based on the number of headcount students who are identified as members of the priority populations. This includes students who are adults, low-income, traditionally underrepresented, or whose coursework is predominantly focused on CTE and workforce training. Exact definitions for these groups can be found in Appendix B. A three-year weighted average (30%, 30%, 40%) is used with additional weighting applied for students in multiple populations. This includes 20% for students in two groups, 30% for students in three groups, and 40% for students in four groups.

Using data for the three most recent academic years (2019-20, 2020-21, 2021-22), the weighted average number of students and points is calculated in Table 26. This shows that 88% of priority population students are in either one or two populations. Therefore, 88% of the funding will be distributed for these students. As a result, colleges enrolling a larger percentage of priority population students than the average will receive additional funding.

Table 26: Projected Student Support Points			
Populations	Weighted Average	Total Points	% of Total Points
One	64,486	64,486	41%
Two	62,711	75,253	47%
Three	12,985	16,881	11%
Four	956	1,338	1%
Totals	141,498	158,318	100%
Note: Weighted average based on three years: 30% of 2019-20, 30% of 2020-21, and 40% of 2021-22. The calculation of points includes the population weights.			

The calculations are conducted in three steps. The first step is to calculate the weighted average number of students for each population group. The second step is to calculate the number of points by applying the population weights. The third step is to proportionally allocate the

available funding based on the relative proportion of points for each college. A hypothetical example is included in Table 27 assuming \$1 million in total funding is available.

Table 27: Student Support Calculations – Hypothetical Example						
	Weighted Averages, Number of Students				Points	Dollars
	One	Two	Three	Four		
College A	1,221	1,205	250	18	3,017	109,993
College B	3,188	3,873	572	36	8,629	314,594
College C	6,295	6,217	1,427	123	15,783	575,412
Totals	10,704	11,295	2,249	177	27,429	\$1,000,000

Note: Assuming \$1 million in total funding is available for Student Support.

The detailed calculations for College A:

Weighted Avg for One Population = 1,587 (30%) + 983 (30%) + 1,126 (40%) = 1,221

Points = 1,221 + 1,205 (1.2) + 250 (1.3) + 18 (1.4) = 3,017 points

Dollars = 3,017/27,429 * \$1,000,000 = \$109,993

Student Success Funding. The calculation for student success funding is based on the number of students who achieve success which includes both progression and credential completion metrics. This includes students who earned 15+ credit hours, 30+ credit hours, or reach certain non-credit thresholds, along with students who complete gateway courses or earn credentials. The exact definitions can be found in Appendix B.

A three-year weighted average (30%, 30%, 40%) is used with weights applied by the type of metric including 10% for progression, 100% for completion, and 150% for priority population completions. The additional weighting for priority population completions is designed to counteract known unintended consequences that have been identified in other models around the nation.

Using data for the three most recent academic years (2019-20, 2020-21, 2021-22), the weighted average number of successes and points is calculated in Table 28. This shows 22% of points (and funding) are allocated based on progression, 35% for completion, and 43% for priority completions. As a result, colleges completing a larger percentage of priority population students than the average will receive additional funding.

Metrics	Weighted Average	Total Points	% of Total Points
Coursework Thresholds	47,830	4,784	15%
Gateway Courses	24,502	2,450	7%
Completions	11,984	11,984	35%
Priority Completions	10,251	15,376	43%
Totals	94,567	34,594	100%

Note: Weighted average based on three years: 30% of 2019-20, 30% of 2020-21, and 40% of 2021-22. The calculation of points includes the metric weights.

The calculations are conducted in three steps. The first step is to calculate the weighted average number of metrics for each group. The second step is to calculate the number of points by applying the metric weights. The third step is to proportionally allocate the available funding based on the relative proportion of points for each college. A hypothetical example is included in Table 29 assuming \$1 million in total funding is available.

	Weighted Averages, Number of Successes				Points	Dollars
	Course work	Gateway Course	Credential	Priority Credential		
College A	914	537	258	211	720	114,050
College B	2,123	1,364	717	571	1,922	304,452
College C	5,778	2,693	1,237	1,058	3,671	581,498
Totals	8,815	4,593	2,212	1,840	6,313	\$1,000,000

Note: Assuming \$1 million in total funding is available for Student Success.

The detailed calculations for College A:

$$\text{Weighted Average for Course Work} = 1,171 (30\%) + 830 (30\%) + 784 (40\%) = 914$$

$$\text{Points} = 914 (0.1) + 537 (0.1) + 258 (1.0) + 211 (1.5) = 720 \text{ points}$$

$$\text{Dollars} = 720/6,313 * \$1,000,000 = \$114,050$$

Funding for the priority populations exists in both the student support and student success components. For FY2025, using current data, an estimated 78% of student support and success funding will be distributed based on priority populations. The projected funding for priority populations over time is summarized in Table 30.

	Available for Student Support and Success	Estimated for Priority Populations
FY2025	\$12.5 million	\$9.7 million
FY2026	\$21.0 million	\$16.4 million
FY2027	\$29.0 million	\$22.6 million
FY2028	\$33.0 million	\$23.8 million
FY2029	\$37.0 million	\$26.6 million
FY2030+	10% of total funding	7% of total funding

Note: Based on current formula modeling which includes a three-year average of student population data.

For FY2025, \$12.5 million is an estimated 2.6% of total, available funding. The percent by college ranges from 1.5% to 5.5% based on student characteristics at each college. The higher the percentage of priority population students enrolled in a college compared to the average, the higher the percentage of student support and success funding the college will receive.

Redistributing funding for priority population students will provide additional funding of approximately twelve percent per student based on initial analysis as shown in Table 31. More information on this calculation can be found in the Equity Analysis in Appendix C.

	Current Model	Proposed Model
Set Asides	10,702,401	10,702,401
Base Payments	41,974,258	41,974,258
Student Support/Success	-	74,880,247
Enrollment	696,125,814	621,245,567
Total Funding, 2023-25	\$748,802,473	\$748,802,473
2021-22 Funded Headcount*	176,292	176,292
Enrollment Funding per Student	\$3,949	\$3,524
2021-22 Priority Population Headcount	-	132,675
Funding per Priority Population Student**	-	\$406

*Estimated based on the percentage of funded FTE applied to total headcount for 2020-21. Specifically, 60,863.2 funded FTE divided by 63,840.02 total FTE equals 95.34% then applied to 184,914 headcount.
**Estimated based on 72% of total student support/success funding divided by 2021-22 priority population headcount total.

A Focus on Affordability

Affordability is a challenging topic as no universally accepted definition of affordability exists. However, affordability is currently a key performance measure for the HECC accounting for two of the agency's 16 total. In this case, affordability is defined as the percentage of resident students who cannot meet expected costs after considering public grant aid, expected family contributions, and estimated student earnings, overall and by race/ethnicity.

This approach is consistent with what other states are using. Some states also measure other factors such as the average amount of student debt upon graduation or average wage earnings. Earnings of completers, or graduates, is also included in the HECC's performance measures.

Some states have decided to use affordability metrics in their funding formulas. To date, most research on this topic suggests there is complexity and unintended consequences with doing so. The relationship between the inclusion of these metrics and student completion has not been determined and therefore make many of these metrics unsuitable for inclusion in the formula at the present time.

It is important to note that other policy work is expected to affect affordability including the areas listed below.

- **State Funding** – the best way to promote affordability is to address the total funding allocated to the formula. National research shows that state appropriation increases generally get passed on to students via lower tuition, substantially lowers student debt originations, and shortens the time to degree completion.²⁶ The same study also shows that for every \$1,000 per student a state spends on higher education, a student's odds of earning a bachelor's degree by age 25 increases by 1.5%, a student's likelihood of taking on debt decreases by 2%, and the total amount borrowed by the average student decreases by over \$5,000.²⁷ Meanwhile, a related study shows that a 10% reduction in state funding over time at a public university leads to a 3.6% decline in bachelor's degrees awarded.²⁸ This would reduce progress made to attaining the state's higher education goals.

The HECC's request for funding in the 2023-25 biennium is reflective of the affordability priority. The community college support fund request for 2023-25 represents an increase of 29.5%, or \$206 million, over the current \$699 million in funding. The request includes \$50 million in one-time support designed to assist the colleges with financial viability. Increasing the state's contribution is the surest way to keep tuition affordable for future students.

²⁶ Rajashri Chakrabarti, Nicole Gorton and Michael Lovenheim, *State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-term Financial Outcomes of Students*, Federal Reserve Bank of New York, Staff Report No. 941, September 2020.

²⁷ Ibid.

²⁸ John Bound, Breno Braga, Gaurav Khanna and Sarah Turner, *Public Universities: The Supply Side of Building a Skilled Workforce*, National Bureau of Economic Research, 2019.

- **Financial Aid** – state financial aid programs can be more efficiently designed around a need-based approach to ensure limited resources are prioritized for those students with the greatest need. The redesign would also differentiate between pipeline and returning learners and fund students on a first-dollar basis. One of the policy option packages included in the HECC’s 2023-25 budget request would significantly increase outreach to students to support access to financial aid resources and postsecondary training for underrepresented students of color as well as low-income students. Specifically, this would increase funding for the Oregon Opportunity Grant (OOG). Recent analysis shows that receiving an OOG leads to greater completion and success rates for low-income students.
- **Transfer Pathways** – transfer pathways have been designed among community colleges and public universities to identify more efficient routes to earning a degree. In conjunction with accelerated learning opportunities offered at many of the state’s high schools, students can design a more efficient approach to earning their degree that will hopefully reduce the total tuition cost over the course of their academic career.

A Focus on Equity

One of the clearly defined guiding principles of the formula review process is to focus on student access and success with an emphasis on underrepresented populations as informed by the Oregon Equity Lens.²⁹ Guided by a number of specific questions, an analysis was performed in a deliberate effort to examine the Community College Support Fund (CCSF) formula review process, and the resulting recommendations, for alignment with the Equity Lens. The full report is included in Appendix C.

The formula recommendations are intended to create a virtuous cycle whereby colleges, through mission, policy design, and philosophy, are committed to equitable student success and receive reinforcement for that through the distribution of state funding. The proposed model provides student support funding for prioritized populations while incentivizing progress as well as credential completions. The recommendations build on the strengths of the current model and align with state higher education goals in pursuit of equitable student success.

Since the current model does not address equitable outcomes or success in any way based on student characteristics, the proposed model is a modest step toward a more equitable approach that strikes a balance between providing sufficient funding to enable state goal-aligned institutional behavior while avoiding unintended consequences.

²⁹ <https://www.oregon.gov/highered/policy-collaboration/Pages/equity-success.aspx>

Bibliography

Bennett G. Boggs, “Outcomes-based Funding as an Evolving State Appropriation Model,” Paper No 4, A Legislator’s Toolkit for the New World of Higher Education, National Conference on State Legislatures (NCSL), November 2018.

John Bound, Breno Braga, Gaurav Khanna and Sarah Turner, “Public Universities: The Supply Side of Building a Skilled Workforce,” National Bureau of Economic Research, 2019.

Causey, J., Huie, F., Lang, R., Ryu M., and Shapiro, D., “Completing College 2020: A National View of Student Completion Rates for 2014 Entering Cohort,” National Student Clearinghouse Research Center, December 2020.

Rajashri Chakrabarti, Nicole Gorton, and Michael Lovenheim, “State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-term Financial Outcomes of Students,” Federal Reserve Bank of New York, Staff Report No. 941, September 2020.

Monnica Chan, Zachary Mabel, and Preeya Pandya Mbekeani, “Incentivizing Equity? The Effects of Performance-Based Funding on Race-Based Gaps in College Completion,” Annenberg Brown University, EdWorking Paper No. 20-270, July 2020.

Anna Cielinski and Duy Pham, “Equity Measures in State Outcomes-Based Funding: Incentives for public colleges to support low-income and underprepared students,” Center for Postsecondary and Economic Success at The Center for Law and Social Policy (CLASP), February 2017.

Deming, David J. and Christopher R. Walters, “The Impacts of Price and Spending Subsidies on U.S. Postsecondary Attainment”, National Bureau of Economic Research, August 2017.

Kevin Dougherty and Associates, “Implementing Performance Funding in Three Leading States: Instruments, Outcomes, Obstacles, and Unintended Impacts,” Community College Research Center, 2014.

Liann Herder, “A New Funding Formula,” *Diverse: Issues in Higher Education*, December 2022.

Nicholas Hillman, Alisha Hicklin Fryar, and Valerie Crespín-Trujillo, “Evaluating the Impact of Performance Funding in Ohio and Tennessee,” *American Educational Research Journal*, 2017.

Nicholas Hillman, David Tandberg, and Jacob Gross, “Performance Funding in Higher Education: Do Financial Incentives Impact College Completions?” *The Journal of Higher Education*, 2014.

Nicholas Hillman, David Tandberg and Alisha Hicklin Fryar, "Evaluating the Impacts of New Performance Funding in Higher Education, Educational Evaluation and Policy Analysis," 2015.

Horn, Aaron S. et al, "The Effect of State Appropriations on College Graduation Rates of Diverse Students", *Midwestern Higher Education Compact*, December 2021.

Adam Hutchison, "The Impact of Performance-Based Funding on Graduation Rates at Texas State Technical College," *Old Dominion University*, Spring 2018.

Davis Jenkins and Nancy Shulock, "Metrics, Dollars, and Systems Change: Learning from Washington State's Student Achievement Initiative to Design Effective Postsecondary Performance Funding Policies," *Community College Research Center*, March 2013.

Dennis P. Jones, "Outcomes-Based Funding: Taking Stock," *National Center for Higher Education Management Systems (NCHEMS)*, September 2016.

Dennis Jones, "Outcomes-based Funding: The Wave of Implementation," *National Center for Higher Education Management Systems*, 2013.

Robert Kelchen, "Do Performance-Based Funding Policies Affect Underrepresented Student Enrollment," 2018.

Kelsey Kunkle, "Performance-Based Funding Allocations for Public Higher Education Institutions, Fiscal Years 2020 and 2021," *SHEEO*, 2021.

Jesse Levin, Bruce Baker, Jason Lee, Drew Atchison, and Robert Kelchen, "An Examination of the Costs of Texas Community Colleges, *Institute of Education Sciences*," October 2022.

Amy Li and Alec Kennedy, "Performance Funding Policy Effects on Community College Outcomes: Are Short-Term Certificates on the Rise?" *Community College Review*, 2017.

Amy Li and William Zumeta, "Performance Funding on the Ground: Campus Responses and Perspectives in Two States," *TIAA Institute*, 2016.

Amy Li and Justin Ortagus, "Raising the Stakes: Impacts of the Complete College Tennessee Act on Underserved Student Enrollment and Sub-baccalaureate Credentials," *The Review of Higher Education*, 2019.

Amy Li, "Covet Thy Neighbor or Reverse Policy Diffusion: State Adoption of Performance Funding 2.0," *Research in Higher Education* 58 (7), 2017.

Amy Li, "Lessons Learned: A Case Study of Performance Funding in Higher Education," *Third Way*, 2019.

Amy Li, “The Point of the Point: Washington’s Student Achievement Initiative Through the Looking Glass of a Community College,” *Community College Journal of Research and Practice* 41 (3) (2017).

Trey Miller, “Higher Education Outcomes-Based Funding Models and Academic Quality,” Lumina Foundation, March 2016.

Monarrez, Thomas, et al, “Impact of Higher Education Finance on Attainment”, Urban Institute, Center on Education Data and Policy, August 2021.

Justin Ortagus, Robert Kelchen, Kelly Rosinger, and Nicholas Voorhees, “Performance-Based Funding in American Higher Education: A Systematic Synthesis of the Intended and Unintended Consequences,” *Educational Evaluation and Policy Analysis*, December 2020.

Research for Action, *Outcomes-Based Funding Equity Toolkit*, obfequitytoolkit.org/overview.

Kelly Rosinger, Justin Ortagus, Robert Kelchen, Alexander Cassell, and Nick Voorhees, “The Landscape of Performance Based Funding in 2020,” *Policy Brief, InformEd States*, January 2020.

Kelly Rosinger, Yahya Shamekhi, Junghee Choi, Nicholas Voorhees, Justin Ortagus, and Robert Kelchen, “Performance Funding for Higher Education: Current Evidence, Unanswered Questions, and How New Data Can Inform Policy,” *Policy Brief, InformEd States*, May 2021.

Rosinger, Kelly et al. “The Impact of Performance Funding Policy Design on College Access and Selectivity”, *American Educational Research Association, Educational Evaluation and Policy Analysis*, February 2023.

Shaw, Kate et al, “Mapping Community College Finance Systems to Develop Equitable and Effective Finance Policy”, *HCM Strategists*, March 2023.

Martha Snyder, Scott Boelscher and Danielle Zaragoza, “Driving Better Outcomes: Fiscal Year 2020 State Status & Typology Update,” *HCM Strategists*, 2020.

Eric Syverson, Erin Whinnery, and Sarah Pingel, “50 State Comparison: Postsecondary Education Funding,” *Education Commission of the States*, July 2020.

David Tandberg, Nicholas Hillman and M. Barakat, “State Higher Education Performance Funding for Community Colleges: Diverse Effects and Policy Implications,” *Teachers College Record*, 2014.

Appendix A - Survey Information

Step	Description	Value	Source/Calculation
A	Prior Biennium CCSF Reimbursable FTE Annualized	110,678	Formula calculations
B	Prior Biennium TPR Annualized	\$337,041,314	CCSF funding + district's assessed property taxes (from January 2011)
C	Prior Biennium's TPR per Fundable FTE	\$3,045	B/A
D	CCSF Current Service Level in Budget	6.57%	HECC Agency Request Budget
E	Cost Adjusted TPR per Fundable FTE	\$3,245	C*(1+D)
F	TPR Annualized	\$333,409,768	Formula calculations; CCSF funding + projected district assessed property tax
G	Preliminary Fundable FTE	102,746	F/E
H	Biennial Growth Component	-7.17%	(G-A)/A
I	Biennial Quality Growth Factor	0.0%	HECC Commission
J	Total Biennial Growth Management Component	-7.17%	H+I
K	Annual Growth Factor	-3.59%	J/2

If FTE is:	Size Factor	If FTE is:	Size Factor
0-750	1.3513	2,751-3,250	1.0108
751-1,250	1.2784	3,251-3,750	1.0081
1,251-1,750	1.2062	3,751-4,250	1.0054
1,751-2,250	1.1347	4,251-4,999	1.0027
2,251-2,750	1.0641	5,000+	1.0000

Table C: Workgroup Survey, November 2022

The survey was conducted by HCM Strategists and included 13 questions with a response rate close to 80%. All of the survey questions, including the weighted average response rate for each potential response, are included below.

Respondents selected from the following five choices ranked one to five when averaging.

- Strongly oppose (1 point)
- Oppose (2 points)
- I can live with this (3 points)
- Support (4 points)
- Strongly Support (5 points)

Question 1: In a new formula, funds to support CTE should be allocated based on:

- All CTE courses; weighted avg 3.94
- Only CTE courses identified as high-value; weighted avg 2.20
- Both (extra weight given to high-value courses); weighted avg 3.00

Question 2: In a new formula, funds to support CTE should be allocated based on:

- Enrollment in CTE courses; weighted avg 4.44
- Progression in CTE courses or programs; weighted avg 2.54
- Completion of CTE degrees or certificates; weighted avg 1.86
- All of the above; weighted avg 3.18

Question 3: In a new formula, funds to support adult learners should be allocated based on:

- Enrollment of adult learners; weighted avg 4.38
- Progression of adult learners towards a degree, credential, or transfer; weighted avg 2.80
- Completion by adult learners of a degree, credential, or transfer; weighted avg 2.00
- All of the above; weighted avg 3.17

Question 4: For the purposes of the formula, the definition of adult learner should be:
The same as the state's adult attainment goal (ages 25-64); weighted avg 4.17

Question 5: Noting the data limitations that have been discussed, the new formula should include metrics related to the following priority populations:

- Low-income (aligned with Equity Lens and Adult Attainment Goal); weighted avg 4.29
- Race/ethnicity (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.65
- Rural (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.72
- First-generation; weighted avg 3.88
- English-language learner; weighted avg 3.82

Question 6: The new formula should include metrics related to the following priority populations only after a period of time (e.g. 3 years) to allow for data collection to improve:

Table C: Workgroup Survey, November 2022

- Low-income (aligned with Equity Lens and Adult Attainment Goal); weighted avg 4.12
- Race/ethnicity (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.71
- Rural (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.59
- First-generation; weighted avg 3.89
- English-language learner; weighted avg 3.82

Question 7: The new formula should include both credit and non-credit credentials and treat non-credit and credit courses/credentials the same, except for statutorily-excluded hobby/recreation courses.

Weighted average: 4.59 (yes/no question)

Question 8: The new formula should not count non-credit courses/credentials in its metrics.

Weighted average: 1.59 (yes/no question)

Question 9: If the new formula were to include metrics on progression and completion, the following metrics should be included:

- Earned student credit hours; weighted avg 3.38
- Students reaching earned credit hour benchmarks (e.g. 15 hours, 24 hours, etc.); weighted avg 3.00
- Gateway courses completed; weighted avg 2.93
- Certificates/degrees completed; weighted avg 2.93
- Transfer to a 4-year institution; weighted avg 2.80
- Time to certificate/degree completion; weighted avg 1.80
- Graduation rates; weighted avg 2.00
- Workforce outcomes (e.g. job placement, earnings); weighted avg 2.53

Question 10: If progression or completion metrics are used, they should be introduced in the formula:

- In the first year with no hold harmless provision; weighted avg 1.35
- In the first year, but with a hold harmless mechanism in place for three years; weighted avg 2.13
- After a few years, with data provided to colleges on what the impact would have been on the formula; weighted avg 2.81

Question 11: The workgroup's recommended formula should apply to:

- 100% of CCSF funding (the entire \$905M requested in 2023-25); weighted avg 1.56
 - A portion of the baseline funding (the \$700M from 2021-23); weighted avg 1.94
 - All of the increase requested in the 2023-25 ARB (\$205M); weighted avg 2.13
 - The \$50M transition fund; weighted avg 2.94
 - The Funding Need (\$91M); weighted avg 2.82
 - Additional funds requested above and beyond the current \$905M; weighted avg 3.94
-

Table C: Workgroup Survey, November 2022

Question 12: Once fully phased-in, the percentage of the total state funding that should go through the workgroup's recommended formula is:

- 5%; weighted avg 3.31
- 5% - 10%; weighted avg 2.81
- 10% - 15%; weighted avg 2.31
- 15% - 20%; weighted avg 1.81
- 20% - 25%; weighted avg 1.63
- 25%+; weighted avg 1.76

Question 13: The workgroup should recommend a specific dollar amount for the formula rather than a percentage.

Weighted average: 3.41 (yes/no question)

Appendix B - Equity Analysis Report

Summary

The intent of this analysis is to apply the HECC's Equity Lens to funding and policy recommendations, as well as to internal and external practices in education. Guided by a number of specific questions, this is a deliberate effort to examine the Community College Support Fund (CCSF) formula review process, and the resulting recommendations, for alignment with the Equity Lens.

The HECC's Equity Lens was originally adopted in 2014. The first operational use of it was the creation of the Student Success and Completion Model (SSCM) in 2015 which allocates public university state funding. The SSCM includes an outcomes-based component that leads to the distribution of half of available funding based on degree completions weighted for degrees earned by prioritized equity populations which include low-income, rural, military veteran, and underrepresented learners as identified by race/ethnicity. More information about the equity impacts of the SSCM can be found in the *2021-23 State Funding and Formula Summary* report posted on the HECC's [website](#).

The recommendations the HECC is now making relative to the community college distribution model are designed to accomplish similar objectives. The intent is to create a virtuous cycle whereby colleges, through mission, policy design, and philosophy, are committed to equitable student success and receive reinforcement for that through the distribution of state funding.

In an effort to counteract potential unintended consequences, the proposed model provides student support funding while incentivizing progress, as well as credential completions, by prioritized populations. The recommendations build on the strengths of the current model and align with state higher education goals in service of equitable student success.

The result is that redistributing funding based on prioritized equity populations will provide additional funding of approximately twelve percent per student based on initial calculations. The current distribution model does not address equitable outcomes or success in any way based on student characteristics. The proposed model is a modest step toward a more equitable approach that strikes a balance between providing sufficient funding to enable state goal aligned institutional behavior while avoiding unintended consequences.

Introduction

Oregon Revised Statutes (ORS) 350.075(3)(f) charges the Commission with the responsibility and authority to establish, via administrative rule, the formula by which state funding is allocated to community colleges. The Community College Support Fund (CCSF) Formula Review Workgroup was charged with the review and examination of Oregon's existing formula for alignment to, and support of, Oregon's existing higher education goals including the Oregon Equity Lens.

The Workgroup included 26 members appointed by college presidents and other stakeholder groups including the Oregon Education Association (OEA), the American Federation of Teachers (AFT- Oregon), and the Oregon Community College Association (OCCA). The HECC

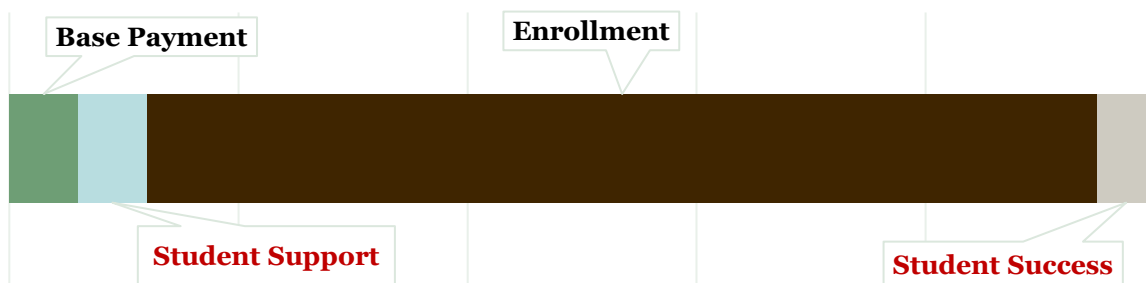
hired a third-party facilitator, HCM Strategists, to help engage with workgroup participants. The guiding principles of the review process asserted that the group should place an emphasis on underrepresented populations.

The Workgroup met 13 times from March 2022 through early February 2023, totaling approximately 36 hours of meeting time. Additionally, a taskforce was formed which included members of the workgroup. The taskforce met weekly during the later stages of the review process to consider the technical details of implementing broader policy decisions of the workgroup. HECC staff provided updates on this work to the Commission during nine meetings of its Funding and Achievement (F&A) subcommittee from August 2021 through December 2022 with staff recommendations presented during the February 2023 meeting.

The Workgroup provided a range of important perspectives that inform the HECC’s recommendations. Members reached common ground on principles including the need to focus more on underserved student populations which they defined as adult learners, those pursuing career and technical workforce education, and those who typically experience the highest barriers to success. Workgroup members recognized the formula could be more student-centered in its alignment with the state’s existing adult attainment goal and in its promotion of equitable student success.

Workgroup members developed a framework for the formula that maintains much of the existing design while adding two student-focused components: one for student support and one for student success as summarized in Figure A. The four populations prioritized within both additional components include low-income learners, adult learners, career/technical workforce education seekers, and traditionally underrepresented learners as identified by race/ethnicity. Once fully implemented, HECC recommends distributing ten percent of total funding through these two additional components. The recommendations build on the strengths of the current formula, align with state higher education goals, and center equitable student success.

Figure A. Proposed Funding Distribution Model



Guided Discussion

Who are the racial/ethnic and underserved groups affected? What groups show the most persistent or severe disparities?

The Formula Review Workgroup reflected on a number of existing data sources while discussing and identifying underserved learner populations. After multiple conversations and discussion of the data presented, the group settled on the identified populations of low-income, adult, traditionally underserved (as defined by race/ethnicity), and CTE/workforce preparation learners as those who should be prioritized within the funding formula.

One of the HECC's key performance measures (KPM number 6) is to track the racial/ethnic differences for community college completion and transfer rates. Specifically, this measures the percentage of community college students who complete an associate degree or certificate or who transfer to a university system within three years by race/ethnicity.

There are notable differences by race/ethnicity as outlined in the *2022 Key Performance Measure Report* published September 30, 2022 and available on the HECC [website](#). This data is also summarized in Table 1.

Table 1: Community College Completion and Transfer Rates					
	2018	2019	2020	2021	2022
American Indian or Alaska Native	40.1%	44.6%	52.8%	50.3%	44.7%
Asian American	52.4%	55.3%	51.3%	60.0%	56.9%
Black or African American	39.7%	38.1%	40.2%	43.9%	43.3%
Hispanic or Latina/-o	44.3%	45.1%	46.1%	49.7%	46.4%
Native Hawaiian or Pacific Islander	45.4%	36.5%	39.4%	40.0%	43.1%
White	49.7%	50.9%	52.2%	54.0%	52.8%

Source: Key performance metric data from the *2022 Key Performance Measure Report* as published by the HECC Office of Research and Data.

The Workgroup also reflected on the work of the Adult Attainment Workgroup which developed a statewide adult attainment goal in 2018. The adult attainment goal reinforces the state's commitment to educational outcomes for working-age, adult Oregonians. It defines adults as those over the age of 25 and includes an equity component reflecting the language of the HECC Equity Lens. It focuses on underrepresented racial/ethnic group, low-income, and rural Oregonians. More information can be found on the HECC [website](#) within the HB 2311 (2017) *State Adult Attainment Goal Report* posted as part of the materials for the November 2018 Commission meeting.

The goal states:

Oregon anticipates more than 120,000 additional jobs requiring postsecondary training or education between now and 2030. In order to meet this need, 300,000 additional adult Oregonians should earn a new degree, certificate, or credential valued in the workforce during that time. Because Oregon has substantial attainment gaps among minority, low income, and rural Oregonians, the state will also commit to reducing those attainment gaps by half during the decade.

In addition, the Workgroup decided to survey its membership on this issue with results presented during its April 2022 meeting. The group was asked how their campus defined the term “priority population.” Responses included terms such as underserved, underrepresented, systemically marginalized, historically marginalized, underserved and underrepresented. Opportunity gaps were also associated with priority populations.

During the April meeting, data from the 2019-20 Community College Statewide Snapshots and data related to high school students and adult learners was shared and discussed. The group then took a deeper dive during the meeting to consider the following points:

- How well the participation rate of students of color and other underserved populations reflect the demographics of the community.
- What are the completion gaps for various student groups?
- What is the level of participation in “nontraditional” pathways.

The intent of redesigning the distribution model is to enable institutional behavior, that may already be occurring, to focus on closing achievement gaps that exist between different populations of students. Ideally the success of the redesigned model will be based on continued improvement evidenced by the key performance measure number six.

What is the potential impact of the resource allocation, strategic investment, policy, practice, or program to these groups?

The potential financial impact of the revised resource allocation methodology will be felt directly by the colleges who will then determine how best to serve their community’s learners. The intent of the recommendations is to direct more dollars to those colleges that serve more students who identify as members of the prioritized populations. This is because emerging research suggests that for community college funding systems to be equitable, they must account for the different levels of support needed to provide students from different backgrounds an equal opportunity to succeed.³⁰

Therefore, the model includes funding for student support as well as funding for student success metrics that are met. The student success metrics include both progression and credential completion. Additionally, there is a bonus in the student success component by which additional funding is provided for credentials completed by students in the priority populations. Initial modeling shows that two-thirds of the available student support and student success funding will be distributed for the benefit of prioritized equity populations which includes low-income,

³⁰ Jesse Levin, Bruce Baker, Jason Lee, Drew Atchison, and Robert Kelchen, *An Examination of the Costs of Texas Community Colleges*, Institute of Education Sciences, October 2022.

adult, traditionally underserved groups (as defined by race/ethnicity), and CTE/workforce preparation learners.

During the proposed first year of implementation, FY2025, an estimated \$377 million in state funding will be available for distribution to the colleges which is half of the estimated 2023-25 biennial appropriation minus set asides. Of that amount, \$12.5 million will be made available for student support and success. Initial modeling shows that of that amount, \$9.7 million will be distributed based on priority populations as shown in Table 2. This is an estimated 2.6% of the \$377 million in total funding.

Table 2: Projected Funding for Priority Populations, FY2025			
	Student Support	Student Success	Total
Priority Population Support/Completion	7,500,000	2,222,402	9,722,402
Progression	-	1,045,447	1,045,447
Completion	-	1,732,151	1,732,151
Totals	\$7,500,000	\$5,000,000	\$12,500,000

Note: Based on current formula modeling which includes a three-year average of student population data.

Over time, the funding distributed for priority populations is designed to increase as outlined in Table 3 to the point where it will eventually be around seven percent of total, available funding, or an estimated 72%, of available student support and success funding. These estimates are dependent on student population data. The model uses a three-year average of headcount, progression, and completion data. When that data changes, it will likely lead to variances in the estimated amounts and percentages noted.

Table 3: Projected Funding for Priority Populations Over Time			
	Available for Student Support and Success	Estimated for Priority Populations	
		Total Funding	Per Student
FY2025	\$12.5 million	\$9.7 million	\$192
FY2026	\$21.0 million	\$16.4 million	\$330
FY2027	\$29.0 million	\$22.6 million	\$330
FY2028	\$33.0 million	\$23.8 million	\$500
FY2029	\$37.0 million	\$26.6 million	\$500
FY2030+	10% of total funding	7% of total funding	\$500+

Note: Based on current formula modeling which includes a three-year average of student population data.

The estimated amounts by college for priority population funding are included in Table 4. This includes both student support funding and the equity portion of student success funding. In total, it represents 2.6% of total funding available. However, the amount of funding it represents

by college is affected by different factors. First and foremost is the number of students who are in the priority populations.

Table 4: Estimated Priority Population Funding by College, FY2025				
College	Student Support	Student Success (Equity)	Total Equity Funding	% of Total Funding
Blue Mountain	142,928	45,702	188,630	5.5%
Central	408,783	123,706	532,489	4.6%
Chemeketa	747,695	229,375	977,070	2.5%
Clackamas	750,693	125,007	875,701	4.2%
Clatsop	143,842	17,583	161,424	4.5%
Columbia Gorge	114,158	20,835	134,992	2.1%
Klamath	187,599	58,406	246,005	1.5%
Lane	611,948	206,850	818,797	2.8%
Linn Benton	395,767	122,080	517,848	2.0%
Mt. Hood	847,979	169,733	1,017,713	2.6%
Oregon Coast	47,648	15,740	63,388	1.7%
Portland	1,973,939	691,399	2,665,338	2.0%
Rogue	342,792	135,067	477,859	5.0%
Southwestern	158,364	71,089	229,453	2.5%
Tillamook Bay	76,599	13,268	89,867	2.2%
Treasure Valley	151,752	55,653	207,405	2.1%
Umpqua	397,513	120,910	518,423	3.4%
TOTALS	\$7,500,000	\$2,222,402	\$9,722,402	2.6%
Note: This information is based on current modeling which includes a three-year average of student population data. It is also based on the projected funding level for FY2025.				

The data by college for the number of students for each of the priority populations is included in the formula workbook which is used to calculate the funding distribution. The student support component allocation is based on the number of headcount students in reimbursable courses who are identified as being a part of the priority populations. A three-year, weighted average of students is calculated.

Points are then awarded depending on how many populations are identified for each student. Multiple populations include more points with an additional 20% for two, 30% for three, and 40% for four. The groups are exclusive and not duplicated. For example, if there are a weighted average of 62,711 students in two populations, multiplied by 1.2 provides 75,253 points for those students.

The number of weighted average students, points, and the percentage of the total each represents is included in Table 5. Forty-seven percent of the points are distributed for students

in two populations. Therefore, 47% of the funding allocated through the student support component will be for students in two populations.

	Weighted Average Number of Students	Total Points	Percentage of Total Points
One Population	64,486	64,486	41%
Two Populations	62,711	75,253	47%
Three Populations	12,985	16,881	11%
Four Populations	956	1,338	1%
Total	141,498	158,318	100%

Note: Based on current formula modeling which includes a three-year average of student population data. The three years included are academic years 2019-20, 2020-21, and 2021-22.

The data by college for the number of student successes, including both progression and credential completion, is included in the formula workbook which is used to calculate the funding distribution. The student success component allocation is based on the number of students who achieve certain milestones. A three-year, weighted average of the milestones achieved is calculated.

Points are then awarded depending on how many are achieved. Weights are applied to the total number of milestones including 10% for progression metrics, 100% for credential completions, and 150% for credentials earned by students identifying as members of priority populations. For example, if there are a weighted average of 15,806 students who have earned 15 or more credit hours, that number is multiplied by 0.1 which translates to 1,581 points for that group of achievements.

Completions are multiplied by 1.0 with priority population completions multiplied by 1.5 as shown in Table 6 which also includes the percentage of the total each represents. Progression accounts for 22% of the points and the same percentage of funding. Credential completions account for 35% with priority population completions accounting for 43% of student success funding.

	Weighted Average Number of Successes	Total Points	Percentage of Total Points
Non-credit hours	16,367	1,637	5%
15+ hours	15,806	1,581	5%
30+ hours	15,657	1,566	5%
Gateway Course	24,502	2,450	7%
Credential Completions	11,984	11,984	35%
Priority Completions	10,251	15,376	43%
Total	94,567	34,594	100%

Note: Based on current formula modeling which includes a three-year average of student population data. The three years included are academic years 2019-20, 2020-21, and 2021-22.

Does the decision or strategy under consideration ignore or worsen existing disparities or produce other unintended consequences?

Great care was taken with the design of the recommended model to mitigate currently known and understood unintended consequences identified by researchers within similarly designed models. However, the funding formula will be reviewed as the model is implemented over the course of three biennia to identify and mitigate unknown potential unintended consequences. In addition, a review will be conducted every five years after implementation.

The recommended model includes a student success component within which funding is distributed based on progress and completion. This can be considered a variation of outcomes-based or performance-based funding. The terms outcomes-based and performance-based are sometimes used interchangeably.

A systematic synthesis of 52 research articles published between 1998 and 2020 concludes that, “Performance based funding (PBF) adoption is generally associated with null or modest positive effects on the intended outcomes of retention and graduation, but there is also compelling evidence that PBF policies lead to unintended outcomes related to restricting access, gaming of the PBF system, and disadvantages for underserved student groups and under-resourced institution types.”³¹

This is because variations in policy design and implementation are associated with variations in the effects of outcomes-based models.³² The variation in effects may also be connected to the length of time a policy has been fully implemented. Researchers have found positive impacts in later years, suggesting that policy response takes time and outcomes should be assessed after a reasonable period of implementation.^{33 34}

It is important to note that the potential unintended consequences can be mitigated. One practice often used to curtail the unintended consequences of restricting access or gaming the system is to add incentives, also referred to as premiums, equity metrics, or bonus funding, for institutions to serve historically disadvantaged or underrepresented students. Research suggests that doing so helps counteract these negative effects. The HECC recommendations include such premiums.

Other than design, funding stability over time, while embedding performance funds into the base budget, and simplicity in that a smaller set of metrics are used to allocate funding, are better for long-term support.³⁵ Also, the use of progression metrics to incentivize the steps students take on the path to success can be helpful. The HECC recommendations include both.

³¹ Justin Ortagus, Robert Kelchen, Kelly Rosinger, and Nicholas Voorhees, *Performance-Based Funding in American Higher Education: A Systematic Synthesis of the Intended and Unintended Consequences*, Educational Evaluation and Policy Analysis, December 2020.

³² Amy Li and Alec Kennedy, *Performance Funding Policy Effects on Community College Outcomes: Are Short-Term Certificates on the Rise?* Community College Review, 2017.

³³ Nicholas Hillman, Alisha Hicklin Fryar, and Valerie Crespin-Trujillo, *Evaluating the Impact of Performance Funding in Ohio and Tennessee*, American Educational Research Journal, 2017.

³⁴ Nicholas Hillman, David Tandberg, and Jacob Gross, *Performance Funding in Higher Education: Do Financial Incentives Impact College Completions?* The Journal of Higher Education, 2014.

³⁵ Dennis Jones, *Outcomes-based Funding: The Wave of Implementation*, National Center for Higher Education Management Systems, 2013.

How does the decision or strategy advance opportunities for current and historically underserved learners and communities? What is the impact on eliminating the opportunity gap?

The effect of similar models, as the one recommended, on institutional behavior is well documented.³⁶ Outcomes-based models influence institutions through financial incentives, awareness of state priorities, and awareness of institutional performance.³⁷ Examples of specific responses include an increased focus on outcomes, demonstrated by the reformation of academic policies such as developmental education, the implementation of degree pathways and the expansion of certificate offerings, revisions to strategic plans, and increases in institutional support staff. Other responses include altering advising and counseling systems, implementing early academic alert systems, changing tutoring and orientation programs, and the increased use of data analytics.^{38 39}

The colleges use local decision-making processes to determine which specific strategies to employ in response to their unique learner populations. By providing enhanced funding for priority population supports and incentives for reaching success benchmarks, achievement gaps should be reduced over time. The extent to which this occurs will be impacted by a number of other factors, some of which are completely out of the HECC's control.

What are the barriers to more equitable outcomes? (e.g. mandated, political, emotional, financial, programmatic or managerial)

Student success in higher education is a shared responsibility between student and institution with the state often supporting both financially. However, both face any number of challenges along the way. Continued unaffordability, stagnant growth in state funding, a lack of institutional inventiveness, a declination in collaboration, and other challenges could all present barriers to more equitable outcomes for Oregon learners.

HECC staff engaged in a number of site visits during the summer of 2022 across 20 different locations including all public universities and most community colleges. In addition, HECC staff also participated in the visits conducted by the Task Force on Student Success for Underrepresented Students in Higher Education. During these visits, students communicated the challenges they face as a result of rising unaffordability, not only with the cost of higher education specifically, but with general living costs more broadly. More students than ever are affected by basic needs shortages which include housing insecurity, food insecurity, a lack of childcare options, transportation issues, and others. Although the state legislature has made significant investments recently in housing, student supports, and childcare, systematic issues remain.

³⁶ <https://www.obfequitytoolkit.org/m2-3-selecting-student-groups>.

³⁷ Kevin Dougherty and Associates, *Implementing Performance Funding in Three Leading States: Instruments, Outcomes, Obstacles, and Unintended Impacts*, Community College Research Center, 2014.

³⁸ Amy Li and William Zumeta, *Performance Funding on the Ground: Campus Responses and Perspectives in Two States*, TIAA Institute, 2016.

³⁹ <https://www.obfequitytoolkit.org/m2-3-selecting-student-groups>.

More information about the average cost of attendance over time for community college students is included in Table 7. The average cost of attendance has increased 3.5% annually over the past decade compared to average, annual inflation of about 2.0%. The majority of the cost associated with college attendance is related to general living expenses.

Table 7: Growth in Community College Cost of Attendance				
	2011-12	2020-21	% of Total	Annual Growth Rate
Tuition and Fees	4,065	5,962	28%	3.9%
Books, room, board, etc.	10,951	15,129	72%	3.3%
Cost of Attendance	\$15,016	\$21,091	100%	3.5%
Notes: Data from the Office of Student Access and Completion, student budgets, as reported by the colleges. The costs noted are averages for all the colleges, for a full-time, resident, independent student.				

As a result, many of the colleges are using benefit navigators to more efficiently connect students with existing social services in their communities. Some campuses are also expanding food pantries and other services dependent to respond to the needs of their communities. Some are considering other options like expanding short-term emergency lending programs through foundations and connecting with local business partners as well.

Meanwhile, the colleges face enrollment challenges and are working through what that may mean in the future for their communities. Higher education in general may be at an inflection point where service models change along with stakeholder expectations.

Enrollment has been dropping, for the past decade, at all of the colleges. This trend accelerated during the pandemic but was uneven in its impact by college. The projected demographic headwinds in Oregon, with a declining number of high school graduates and a reduction in the number of school-aged children, suggest that higher education enrollment will likely not recover to pre-pandemic levels for many years to come. That certainly won't be the case if adults do not enroll in more significant numbers.

This stark realization has left many to wonder how the institutions will continue to thrive. The path to sustainability is less obvious than in previous declines during which innovative program offerings and creative outreach efforts to non-traditional student populations were enough to counteract the declines. This time may be different.

All of this is set against an economic backdrop whereby state revenues are stagnant and decision makers face tough choices as to what needs to prioritize. According to the FY2021 State Higher Education Finance Survey (SHEF), over the last decade, Oregon's public investment per student has increased an inflation-adjusted 57.4%, more than all but four states. This trend may not continue going forward.

It is important to recognize the interaction among various policy choices. All of which working together may bring about the improvement desired. Both the level of state funding and availability of financial aid programs positively influence student affordability while collaboration among institutions can lead to more efficient pathways to completion.

How have you intentionally involved stakeholders who are also members of the communities affected by the strategic investment or resource allocation to inform decision-making?

The stakeholders who are directly impacted by the recommendations to revise the college funding model are the colleges themselves. State funding currently makes up about forty percent of operating revenues collectively for the colleges. The other prominent sources include tuition/fee revenue and local property tax revenue. As a result, it is common practice nationally to focus on institutional stakeholders during the formula review process.

It is rare that students are included in formula review workgroups because the funding is used to support institutions in their efforts to serve students. Often, the student perspective is best incorporated during the conversation of how to provide the services students need to succeed. That conversation naturally occurs at the campus level because student needs often differ by campus community and because the provision of those services must be considered in relation to the totality of resources available.

Whether or not and how the recommendations made will directly impact student services delivered is a decision left to the governing boards and the administration of each college. They employ different strategies in response to the needs of their communities. The workgroup included a diverse set of campus voices who could weigh in on the connection between potential funding formula changes and the potential impact on how they serve and support students.

Four student affairs voices, among the 26 total appointed members, were deliberately included on the review workgroup. They represented the needs of students and brought their understanding of how best to serve students to inform the policy making process. All of the workgroup members, led by the student affairs folks, reported that the current model is not student centered and needs to be in order to enable the services many students need. That is why the workgroup members wanted to focus specifically on adults, low-income, CTE, and underrepresented students to gain traction on equitable success.

It is HECC's intent to leverage state funding support to catalyze positive institutional actions to prioritize equitable student success. Therefore, students enrolled in the colleges are likely to indirectly benefit from the proposed changes to the funding formula. As a result, a fair amount of the workgroup's conversation focused on how to better support traditionally underrepresented students via the funding model.

Ideally students would have served on the formula review workgroup. Outreach was made to the Oregon Student Association (OSA) which is a coalition of member campuses. They do not represent the colleges and could not recommend appropriate representation. Directly including student voices will add value during the review process. However, the opposite is not necessarily true due to the deliberate inclusion of student affairs representation.

Nonetheless, stakeholder outreach represents an opportunity for improvement. Expanding the workgroup membership to include not only those stakeholders directly impacted but also those indirectly impacted should be considered. Workforce, industry, and community stakeholder inclusion may add value during the next review process. This may include consultation through

the Leadership Council for Equity, the Equity Advisory Committee, the local workforce development boards, and other groups.

Do you have a plan for inclusive communications and engagement, to communicate the process of this work and opportunities for learners in compelling, clear, accessible, and transparent ways?

The HECC recommendations, and the work of the review process more generally, are being communicated through existing channels. These include public meetings of the HECC, meeting materials posted on the HECC website, *HECC Collaborations* (the regular newsletter of the HECC), and with outreach efforts to the college presidents, business officers, Formula Review Workgroup members, and other stakeholders who have signed up to receive notification via the HECC mailing lists. Media coverage of the recommendations is expected by The Oregonian and Oregon Public Broadcasting (OPB).

What is your commitment to diversification of the workforce and professional learning for equity? What resources are you allocating for educator/employee diversity and training in culturally responsive instruction and practices?

Within the HECC, for HECC staff, a deep commitment to workforce and professional learning for equity is maintained. However, doing so at the colleges is the responsibility of the governing boards who are responsible for providing the necessary resources for the professional learning and training needed by college staff.

Oregon Revised Statutes (ORS) 350.375 specifies the cultural competency requirements at public universities and community colleges in Oregon. It states that each public institution of higher education shall establish a process for recommending, and providing oversight for the implementation of, cultural competency standards for the institution and its employees. The process must require the institution provide continuing training and development opportunities that foster the ability of the institution's faculty, staff, and administration to meet cultural competency standards. Also, that the institution clearly communicates to new faculty, staff, and administrators the institution's commitment to including meeting cultural competency standards in professional development.

How will you intentionally modify or enhance your decisions or strategies to ensure each learner and communities' individual and cultural needs are meaningfully met?

The HECC recommendations for the community college funding model will likely have little effect on institutional behaviors related to pedagogy. However, the recommendations are intended to catalyze positive institutional actions to prioritize equitable student outcomes. It may be possible to monitor the extent to which each college is ensuring that each learner and communities' individual and cultural needs are meaningfully met as part of the formula review process. If so, this may allow the HECC to collaborate with the colleges on better practices.

How will you evaluate your progress and stay accountable to equity goals? How are you collecting and analyzing disaggregated data on race, ethnicity, income, and other demographics or identities?

The model has success metrics that will be reviewed periodically. More specifically, during the implementation phase, a technical review is scheduled to occur during FY2027, likely during calendar year 2027. This effort will be to identify unintended consequences and to revisit data definitions as needed. During FY2030, a more robust policy review will be conducted, likely during calendar year 2030. This is five years after initial implementation. The policy review is designed to subject the funding formula to a more rigorous scrutiny to determine if it is incentivizing institutional action in alignment with state goals. . Should progress not be apparent, additional policy recommendations may be considered.

Disaggregated student-level data is collected and reviewed by the HECC Office of Research and Data. All institutions provide data to them. Disaggregated data for the community colleges is available on the HECC [website](#) within the Oregon Community Colleges Data Mart. As a result, during the formula review process, disaggregated data was widely available to workgroup members for their consideration and was used to inform the recommendations.

Future policy reviews will incorporate specific feedback from members of the prioritized populations, including but not limited to low-income learners, adult learners, career/technical workforce education seekers, and traditionally underrepresented learners as identified by race/ethnicity to assess whether meaningful student supports were available and accessible to them.

Toward a More Equitable Distribution Model

Research is clear that direct funding to institutions significantly affects student success, particularly in community colleges with an open-access mission.⁴⁰ However, there is no one-size fits all model that offers the silver bullet solution. Ultimately, the model will evolve over time via a reiterative process of review.

Distribution models affect equity in a couple of ways.⁴¹ Institutional equity is the degree to which colleges are funded with similar levels of resources to effectively serve all students. The current community college distribution model equalizes funding per full-time student equivalent taking in to account both state funding and local property tax resources. This feature is considered one of its strengths in that it prevents inequity across the colleges in terms of funding per student. Oregon is one of the few states nationally to include this feature.

⁴⁰ Deming, David J. and Christopher R. Walters, *The Impacts of Price and Spending Subsidies on U.S. Postsecondary Attainment*, National Bureau of Economic Research, August 2017. Horn, Aaron S. et al, *The Effect of State Appropriations on College Graduation Rates of Diverse Students*, Midwestern Higher Education Compact, December 2021. Monarrez, Thomas, et al, *Impact of Higher Education Finance on Attainment*, Urban Institute, Center on Education Data and Policy, August 2021.

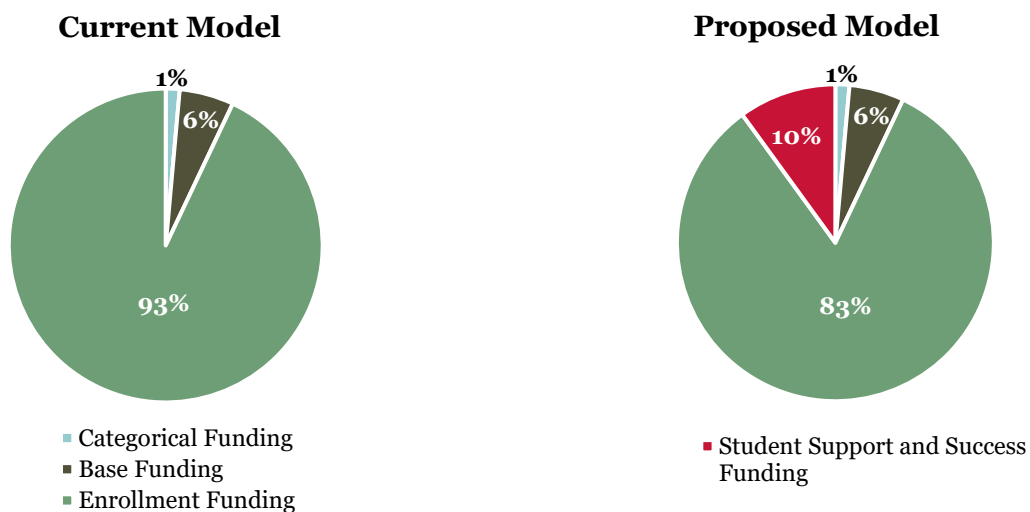
⁴¹ Shaw, Kate et al, *Mapping Community College Finance Systems to Develop Equitable and Effective Finance Policy*, HCM Strategists, March 2023.

Meanwhile, student equity includes both equitable access and equitable outcomes (both progress and credential attainment). The current distribution model does not address equitable outcomes or success in any way based on student characteristics. Most states have implemented models that include this feature. The recommended model will do so by providing additional resources for historically underserved student populations and additional resources for when they achieve success.

The student support and success components will explicitly include race as a consideration putting Oregon in a group of about 15 states nationally who do so. Additionally, the 50% bonus for priority population completions is consistent with other states although weights placed on equity metrics vary substantially.⁴² Funding for the prioritized populations will be about seven percent of total funding once fully implemented.

Currently, scant research exists on the appropriate dosage of funding in a distribution model to be applied to student equity. There is limited evidence to suggest that increases in the share of revenue at stake are associated with decreases in underrepresented student enrollment.⁴³ Striking the appropriate balance between providing enough funding to enable institutional behavior while avoiding unintended consequences is the key. Figure B shows the proposed distribution model compared to the current model.

Figure B: Current and Proposed Community College Distribution Model



Redistributing funding for priority population students will provide additional funding of approximately twelve percent per student based on initial analysis as shown in Table 8.

This analysis considers the projected biennial funding for 2023-25 with ten percent distributed for student support and success which essentially assumes full implementation occurs immediately. It calculates the funded headcount by applying the same proportion of funded

⁴² Rosinger, Kelly et al. *The Landscape of Performance-Based Funding in 2020*, InformEd States Policy Brief, January 2020.

⁴³ Rosinger, Kelly et al. *The Impact of Performance Funding Policy Design on College Access and Selectivity*, American Educational Research Association, Educational Evaluation and Policy Analysis, February 2023.

FTE, then calculates the funding per student for enrollment only. The enrollment funding per student declines from the current model to the proposed model because a portion of total funding is redistributed for student support and success.

The analysis then calculates the funding per priority population student using 2020-21 data for the four populations divided into the portion of total student support and success funding applicable to priority population students. The portion of student support and success funding applicable to priority population students is roughly 72% of the \$74.9 million noted in the table.

This means in the proposed model, once fully implemented, enrollment funding per student distributed for all students will be an estimated \$3,524 using current data. The funding per student distributed for priority population students specifically, which includes both enrollment funding and priority population funding, will be \$3,930 using current data. This represents a difference of \$406 or 12%. This table does not include a small amount of funding per student distributed for progression and completions.

Table 8: Estimated Funding per Priority Population Student (Once fully implemented with 10% of funding for Student Support and Success)		
	Current Model	Proposed Model
Set Asides	10,702,401	10,702,401
Base Payments	41,974,258	41,974,258
Student Support/Success	-	74,880,247
Enrollment	696,125,814	621,245,567
Total Funding, 2023-25	\$748,802,473	\$748,802,473
2021-22 Funded Headcount*	176,292	176,292
Enrollment Funding per Student	\$3,949	\$3,524
2021-22 Priority Population Headcount	-	132,675
Funding per Priority Population Student**	-	\$406
*Estimated based on the percentage of funded FTE applied to total headcount for 2020-21. Specifically, 60,863.2 funded FTE divided by 63,840.02 total FTE equals 95.34% then applied to 184,914 headcount. **Estimated based on 72% of total student support/success funding divided by 2021-22 priority population headcount total.		

