

**CHARGE:**

**ORS 351.735(3)(iii)(f):**

3) The Higher Education Coordinating Commission shall:

f) Adopt rules governing the distribution of appropriations from the Legislative Assembly to community colleges, public universities listed in ORS 352.002 and student access programs. These rules must be based on allocation formulas developed in consultation with the state’s community colleges and public universities, as appropriate.

**DEVELOPMENT:**

- Oregon’s Higher Education Coordinating Commission (HECC) articulated the following principles to guide the workgroup’s efforts in developing a revised funding allocation system. These principles stipulated that the funding allocation designed by the workgroup would:
  - Reflect HECC’s strategic plan and OEIB Equity Lens
  - Focus on student access and success with an emphasis on underrepresented populations
  - Encourage high demand/high reward degrees
  - Recognize/reward differentiation in institutional mission and scope
  - Use clearly defined, currently available data
  - Maintain clarity and simplicity
  - Utilize a phase-in period to ensure stability, beginning with 2015-17 biennium
- The HECC convened a workgroup comprised of senior financial, academic, and student affairs administrators from each of the seven public universities as well as faculty and student leadership in June 2014 to develop an outcomes-based funding model to allocate the Public University Support Fund (PUSF).
- The workgroup, supported by HECC staff and consultants with HCM Strategists, examined outcomes-based funding models, reviewed relevant literature and best practices from other states to inform the creation of a model that meets the objectives articulated by the HECC and Oregon’s unique institutional context.
- The iterative development process concluded in February 2015 with the creation of the Student Success and Completions Model (SSCM). The HECC approved administrative rules in April 2015 which operationalized the SSCM for implementation during the 2016 fiscal year.
- In July 2015, the SSCM was utilized to allocate a significant re-investment in the PUSF to the public universities, resulting in increased funding for each university. This marked the beginning of a four-year SSCM phase in period that will conclude in the 2019-20 fiscal year.

**FRAMEWORK:**

The SSCM is comprised of three funding categories:

- **Mission Differentiation (MD) Funding** supports the unique regional, research and public service missions and activities of each university, as “line item” funding for services, programs or general operations.
- **Activity-Based Funding** distributes resources based on student credit hour (SCH) completions of Oregon resident students at undergraduate and graduate levels.
- **Completion Funding** rewards degree and certificate completions by Oregon resident students. Completions by underrepresented students (underrepresented minority, low-income, rural and veteran status) and those in academic disciplines in high-demand and high-reward fields (STEM, Health, Bilingual Education) are provided additional weighting in the allocation formula.

**MODEL:**

Funding Category	Data	Calculation
Mission Differentiation Funding	<ul style="list-style-type: none"> <li>• Historical funding levels for MD items</li> <li>• Dual Credit completions</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation is “off the top”</li> <li>• Based on historical funding levels adjusted for inflation</li> <li>• Includes new line item funding related to governance transition, funding model and definitional changes</li> <li>• Includes resources for Dual Credit completions</li> </ul>

Funding Category	Data	Calculation
Activity-Based Funding <sup>1</sup>	<ul style="list-style-type: none"> <li>SCH completions by CIP code (program area) and student level</li> </ul>	<ul style="list-style-type: none"> <li>A defined percentage of non-MD funding is distributed for SCH completions (40% of non-MD funding at full implementation).</li> <li>Distributes resources based on SCH completions at each institution utilizing program- and course level-specific cost weighting system.</li> </ul>
Completion Funding <sup>1</sup>	<ul style="list-style-type: none"> <li>Degree and graduate certificate completions by level and CIP code</li> <li>Completions by transfer status (BA/BS only)</li> <li>Completions by underrepresented students               <ul style="list-style-type: none"> <li>Low income student (Pell Grant recipient)</li> <li>Underrepresented minority student</li> <li>Rural student</li> <li>Veteran student</li> </ul> </li> <li>Completions in priority degree areas               <ul style="list-style-type: none"> <li>STEM</li> <li>Healthcare</li> <li>Bilingual Education</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Degrees at all levels are funded: BA/BS through PhDs<sup>2</sup>, including graduate certificates</li> <li>Cost-weighting adjustments are made to reflect program duration and type (CIP code)</li> <li>Additional weighting awarded for BA/BS degrees earned by underrepresented students and degrees in high-demand and high-reward areas</li> <li>Allocations for transfer students are discounted relative to non-transfer students</li> </ul>

<sup>1</sup>All data is three-year rolling average. <sup>2</sup> PhDs awarded to non-resident students are treated as resident students.

### TRANSITION:

Three mechanisms are used to smooth the transition from the prior funding system to the SSCM:

- Stop Loss** – The Stop Loss mechanism prevents any institution from receiving less in current year allocations than a pre-determined percentage of the prior year. The Stop Loss threshold declines after the first year until it is disengaged after year four.
- Stop Gain** – The Stop Gain mechanism prevents any institution from receiving more in current year allocations than a pre-determined percentage increase from the prior year. The Stop Gain threshold increases after the first year until it is disengaged after year four.
- Phase In** – During the first year 20% of all non-Mission Differentiation or formula driven allocations are based on degree and certificate completions. Completion Funding increases by 20 percentage points for each the subsequent two years until it accounts for 60% of all non-Mission Differentiation funding, at which point it remains stable.

### FUTURE:

- Two Year Review** – Review and revision of definitions, weighting factors and items of a technical nature within the SSCM will be undertaken to adjust for minor definitional or weighting issues, should any arise.
- Six Year Review** – A comprehensive review will be conducted with stakeholders to ensure the SSCM continues to appropriately align state funding with state priorities and the evolving institutional context.
- Evaluation** – HECC will conduct yearly reviews focusing on the academic quality, productivity and financial integrity of the public universities.

