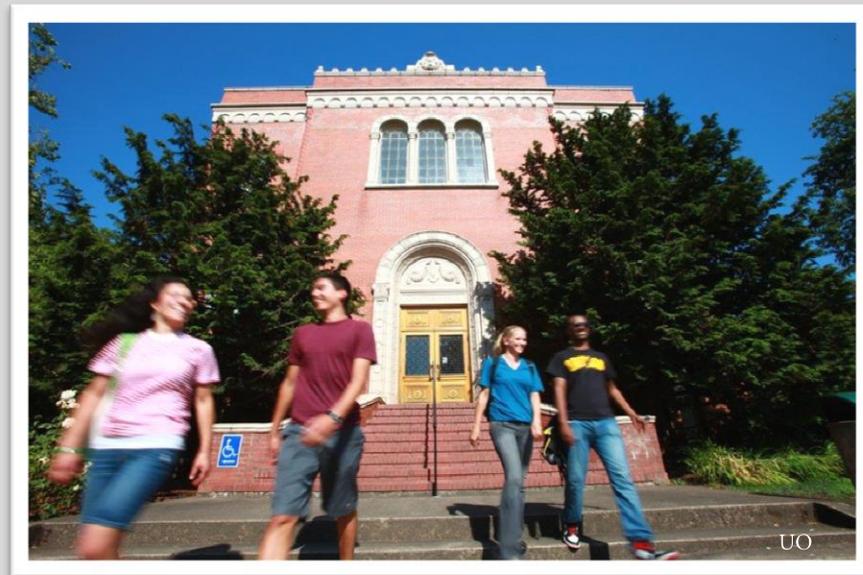
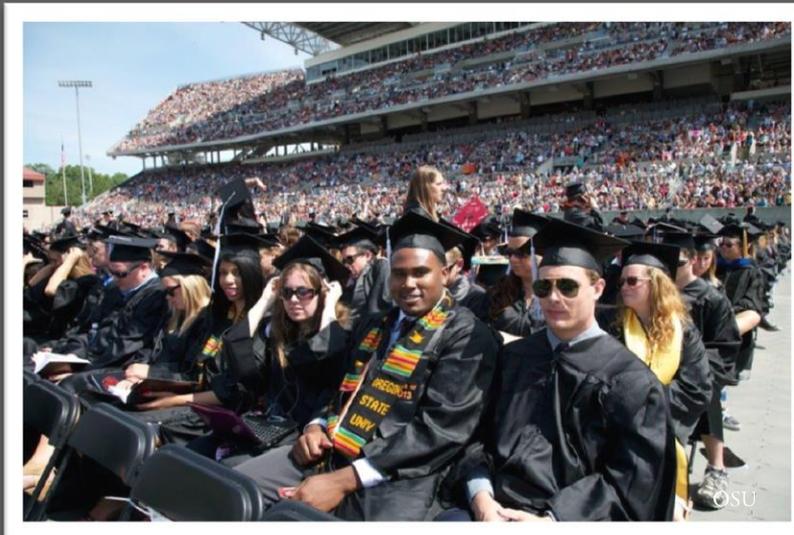


POSTSECONDARY FUNDING DISTRIBUTION MODELS

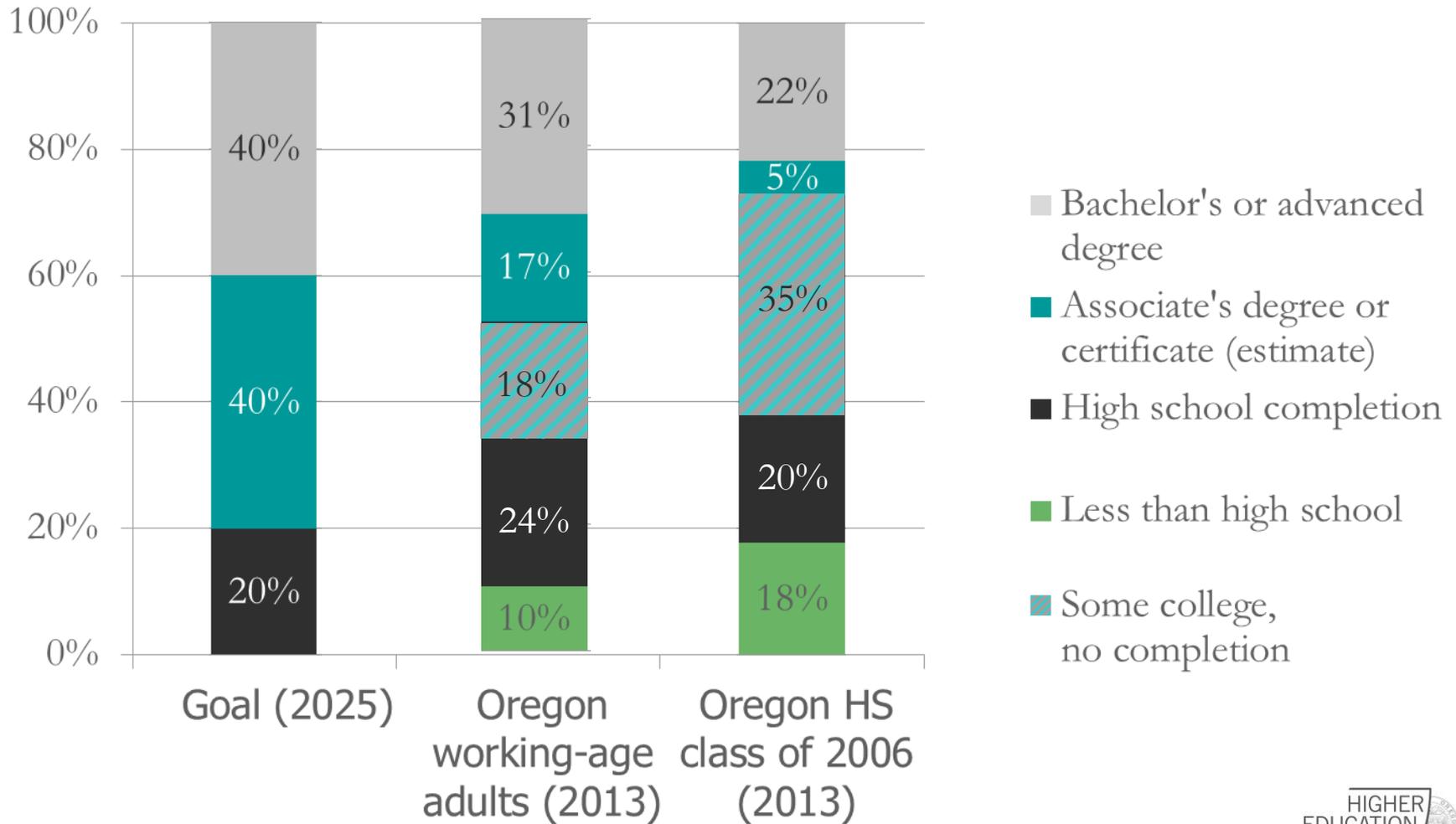


November 18, 2015

INTRODUCTION

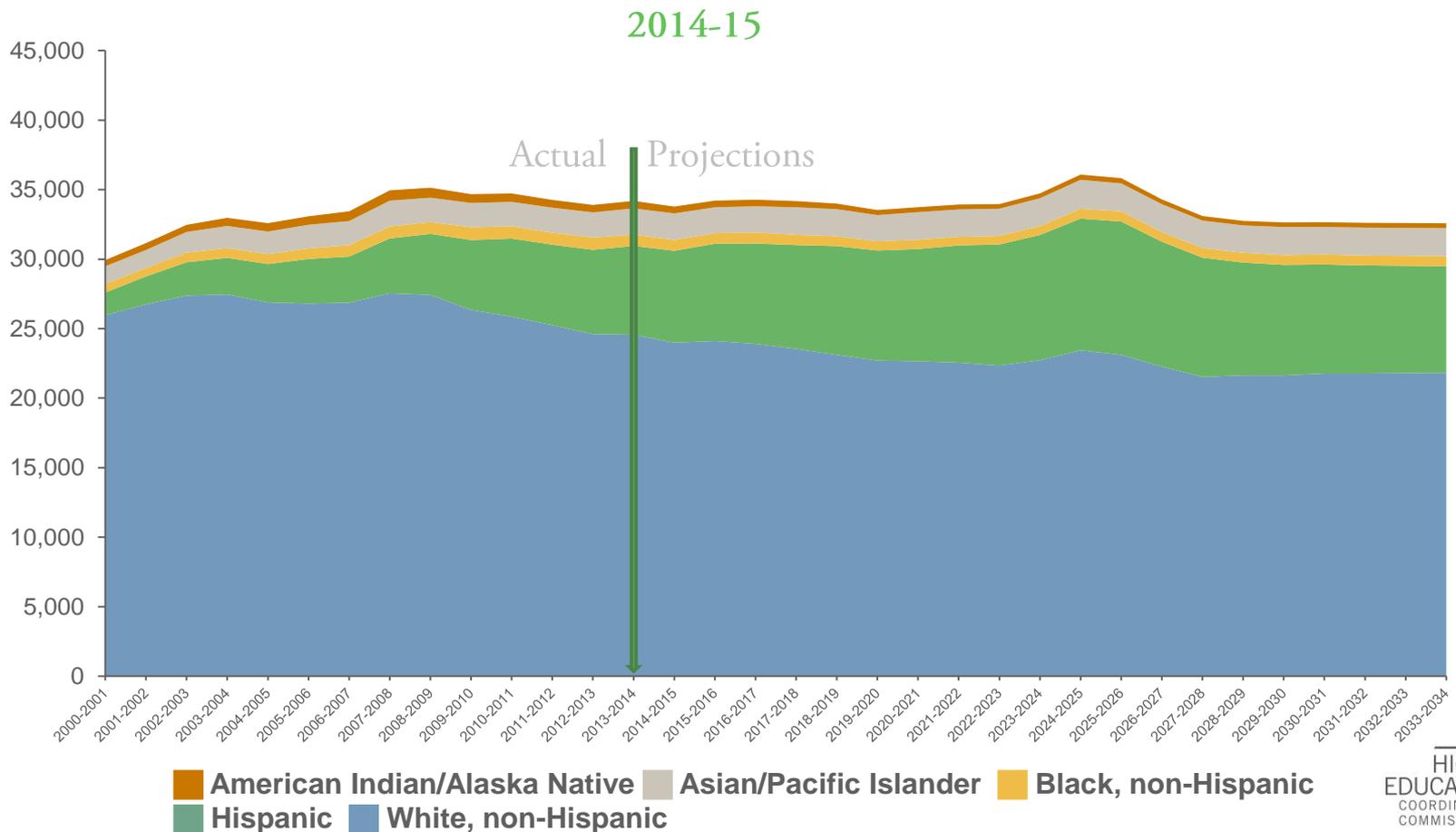


CONTEXT: 40-40-20



CONTEXT: INCREASING DIVERSITY

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



Source: OUS Office of Institutional Research, Projections March 2015

LEGISLATIVE MANDATE AND HECC PROCESS

5

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.

WHAT IS OUTCOMES BASED FUNDING?

6

Outcomes-Based Funding (OBF)

- Links the distribution of state funding to state educational attainment goals
- Directs state investment to completions (including course completions, degree and certificate completions)
- Designed to reward and reinforce institutional investments in student success and support services
- Focused on achieving equity goals

26 states currently have some form of OBF system and 9 more are currently developing them

- Colorado recently approved an outcomes based funding formula for both 2 and 4 year institutions and Arizona recently approved a much expanded outcomes based funding formula for 4 year institutions.

COMMON CONCERNS

7

Primary concerns of stakeholders

- Equity and access
- Degree and program quality

Some HECC considerations

- Fund underrepresented students at a significantly higher rate.
- Conduct annual evaluations of universities that include a robust set of qualitative and quantitative evaluations of academic and programmatic quality.

OUTCOMES-BASED FUNDING

8

A method for the distribution of state resources

Not a substitute for the need for additional state resources

An appropriate alternative to tight state oversight of institutions

Its aims should be modest, and they should reflect the state's particular higher education context

DESIGN PRINCIPLES FOR PERFORMANCE FUNDING

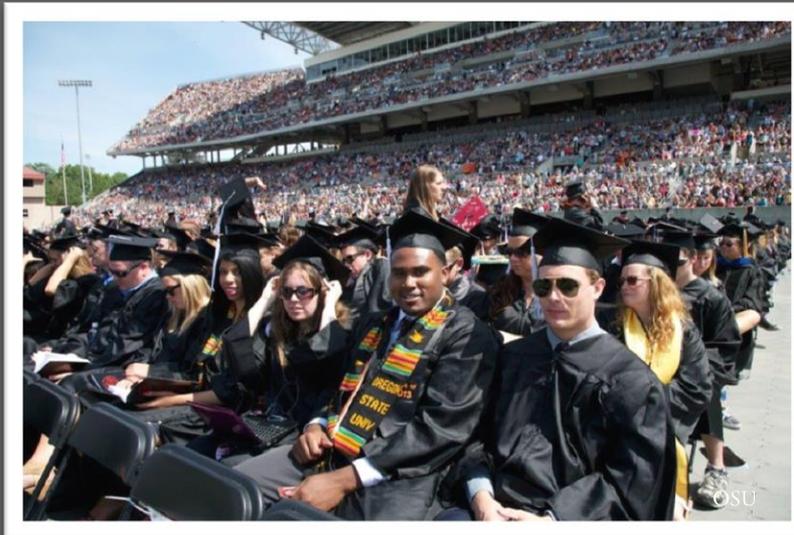
9

Outcomes Based Funding; the Wave of Implementation

-Dennis Jones, NCHEMS

- Begin at the beginning
- Measure what you want to get
- Fund what you measure
- Understand (and appreciate) the angst
- Recognize performance funding as one piece of the puzzle

UNIVERSITY STUDENT SUCCESS AND COMPLETION MODEL



THE RESOURCE ALLOCATION MODEL (RAM)

11

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

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

- The majority of funds flowed through a cost-weighted enrollment driven formula (84%)
- A set of line items, including Regional Support, Research and Public Service were supported (14%)
- A small incentive fund for student success allocated resources based on degrees completed and emphasizes underrepresented minority or rural students (1%)

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

WORKGROUP'S PROCESS & OUTCOMES

12

HECC convened a workgroup including senior financial, academic, and student affairs administrators from each university as well as student and faculty leaders.

HECC used existing states' models and literature to create an OBF model that builds from others yet meets Oregon's unique institutional context.

The HECC articulated the following principles to guide the workgroup:

- Reflect HECC strategic plan and OEIB Equity Lens
- Focus on student access and success with an emphasis on underrepresented populations
- Encourage high demand/high reward degrees
- Recognize/reward differentiation in institutional mission and scope
- Use clearly defined, currently available data
- Maintain clarity and simplicity
- Utilize phase-in period to ensure stability, beginning with 2015-17 biennium

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

STUDENT SUCCESS AND COMPLETION MODEL

13

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

- **Mission Differentiation Funding** supporting the regional, research and public service mission of each university
- **Activity-Based Funding** which invests in credit hour enrollment of Oregon resident students
- **Completion Funding** which focuses investment in degree and certificate completion of Oregon resident students with particular emphasis on underrepresented student populations and priority degree areas

Transition mechanisms are in place to smooth the transition from the prior enrollment-based Resource Allocation Model (RAM) to the SSCM:

- **Graduated increase** in completion funding and measured transition from enrollment funding
- **Stop-loss and stop-gain** mechanism to ensure all institutions have predictable funding levels and share in increased resources

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

MISSION DIFFERENTIATION ALLOCATION

14

There are **three types** of mission differentiation funding:

- **Regional Support** allocations provide resources for the higher cost mission of the four Technical and Regional Universities (TRU) and OSU Cascades which serve a unique and critical public purpose
- **Research Support** allocations provide resources for key economic development and innovation needs of the state
- **Mission Support** allocations provide funding for non-instructional activities, as diverse as the Veterinary Diagnostic Laboratory (OSU) and NEW Leadership Oregon (PSU), Oregon Wide Area Network (UO)

Funding indexed to Portland CPI/legislative funding

Mission Differentiation Funding comes “off the top”

TRU Shared Services will be incorporated into Regional Support allocation.

ACTIVITY BASED ALLOCATION

15

Utilizes cost-based weighting factor for student credit hours

Supports and incentivizes enrollment, and provides intermediate payment

Continues to support partnerships between institutions and across sectors

Funds enrollment and courses for all resident students

HECC will convene a workgroup to update cost weighting factors, which were developed over 15 years ago

COMPLETION FOCUSED ALLOCATION

16

Degrees at all levels are funded: Bachelor's through PhD's as well as graduate certificates

Cost adjustments are made to reflect program duration, program type, and for transfer students

Additional weighting is provided for students who complete from traditionally underserved student populations, including:

- Low income, underrepresented minority, rural, and veteran students

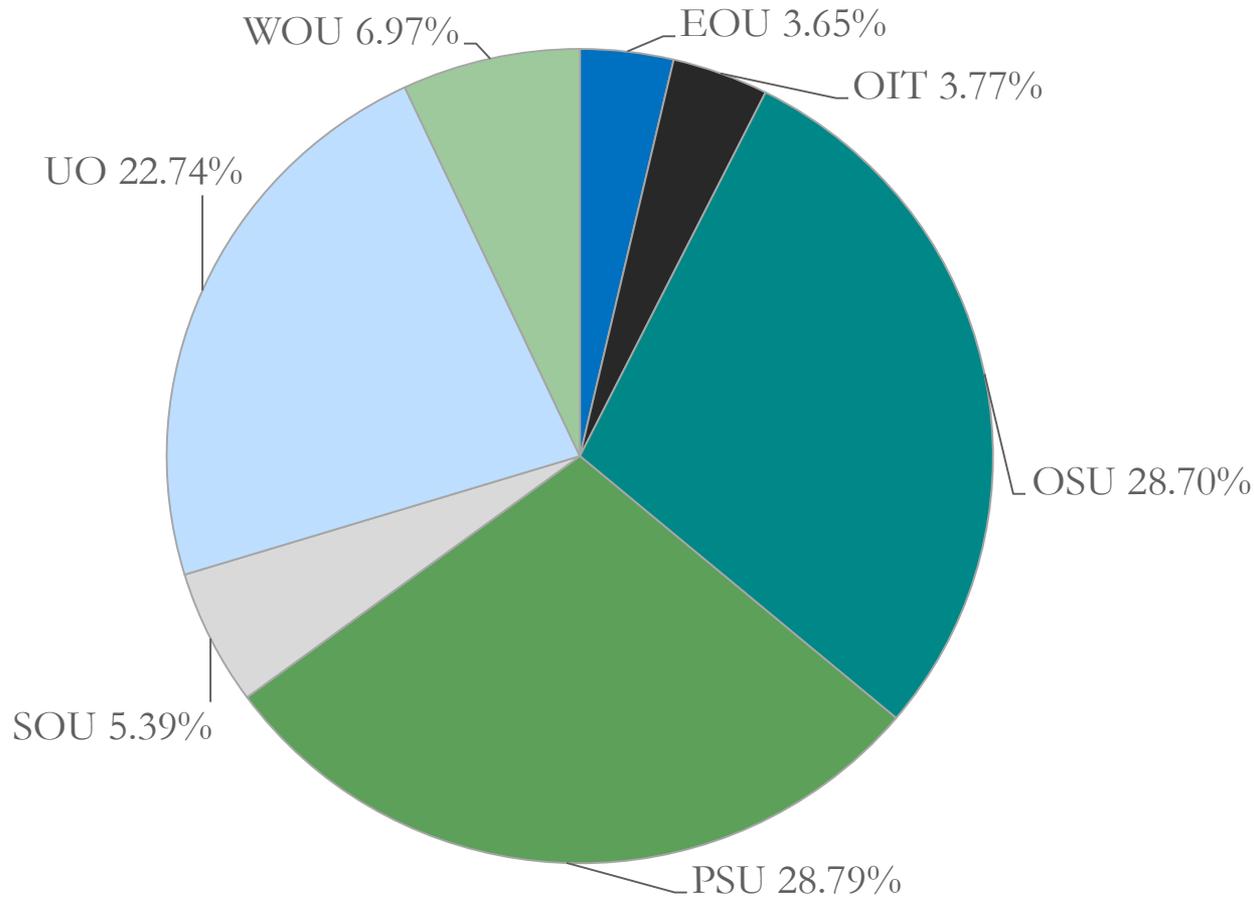
Additional weighting is provided for students who complete in areas of critical need for the state, including:

- STEM, Healthcare and Bilingual Education

ENROLLMENT AND COMPLETIONS BY INSTITUTION

17

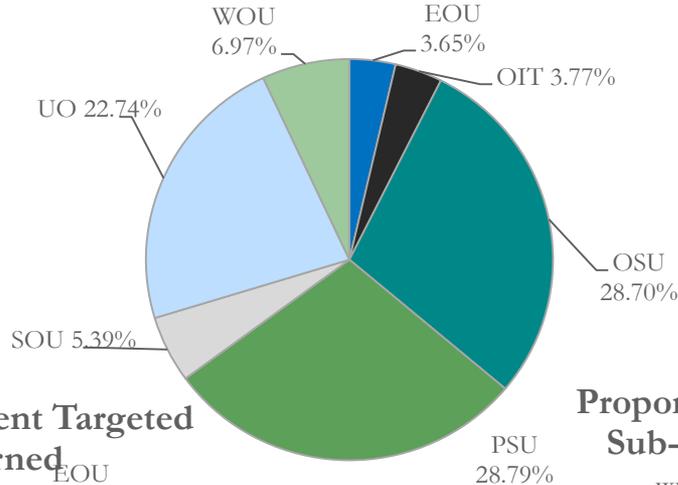
Proportion of Resident Student Credit Hours



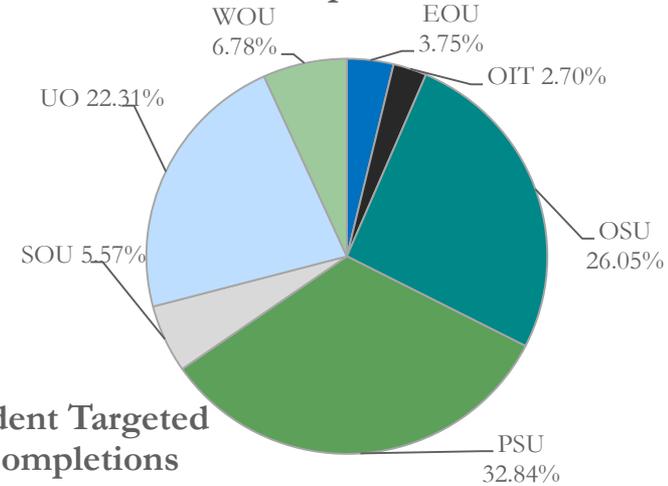
Three-year rolling average of resident SCH production, degrees conferred and degrees conferred to targeted student sub-populations and in targeted fields of study.

ENROLLMENT AND COMPLETIONS BY INSTITUTION

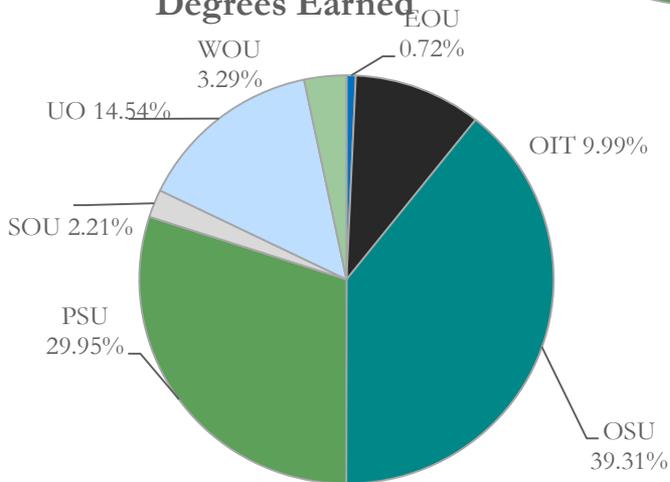
Proportion of Resident Student Credit Hours



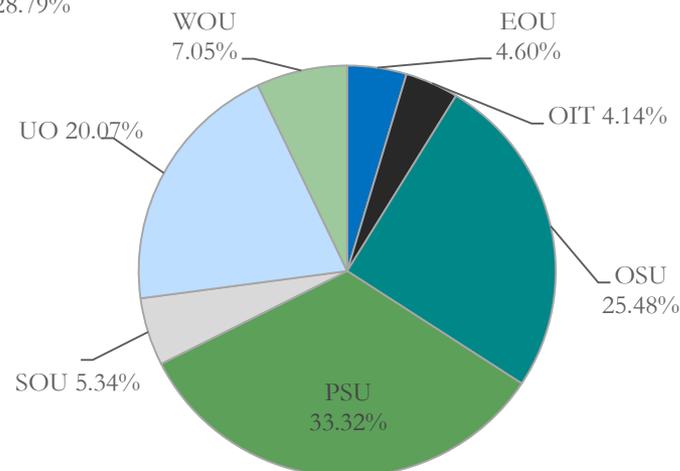
Proportion of Resident Degree Completions



Proportion of Resident Targeted Degrees Earned



Proportion of Resident Targeted Sub-Population Completions



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

TRANSITIONING TO NEW FUNDING SYSTEM

19

Stop loss

- Brackets downside risk for institutions. During the transition period, the stop loss is set such that no institution can lose funding and ensures that during the first year all institutions see at least a 4.5% increase in funding.

Stop gain

- The stop-gain tool is designed to prevent an institution from receiving an abnormally large increase in allocation in excess of a pre-determined threshold when compared to the prior year

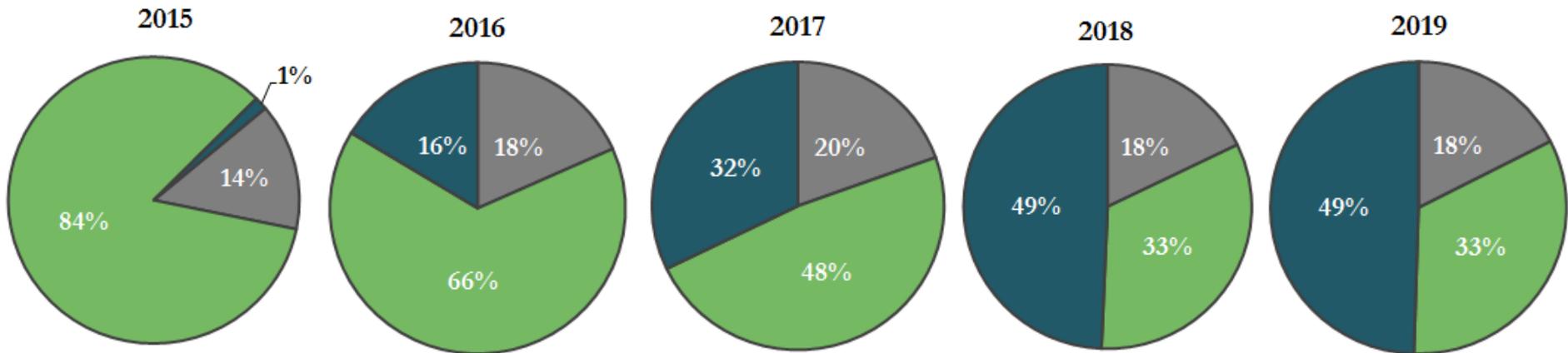
Phase in of completion funding

- During the first year a relatively small portion of total funding is based on degree completions. Over subsequent years completion funding will increase until it accounts for 60% of formula based allocation.

SSCM TRANSITION PERIOD

	RAM 2015	SSCM			
		2016	2017	2018	2019
Avg. Degree Completion	\$114	\$2,500	\$5,307	\$9,171	\$9,582
Avg. Underrepresented Support	\$526	\$777	\$1,641	\$2,801	\$2,926
Avg. Student Credit Hour	\$79.18	\$77.34	\$61.88	\$47.64	\$49.78

Notes: Funding assumes PUSF growth at OEA Oregon Economic and Revenue Forecast (Aug. 2015) general fund growth rates and constant SCH/Completion performance. 2015 Underrepresented Support includes only underrepresented minority and rural students. Tuition offset funding and TRU Shared services funding excluded from all calculations.



- Mission Differentiation
- Activity-based
- Completions



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

EVALUATION FRAMEWORK AND TIMELINE

21

In line with national best practices a prescribed re-evaluation process for the SSCM was built into the model



Every other year, the HECC, in consultation with stakeholders, will examine definitions, weighting factors and similar items to ensure that unintended consequences are understood and accounted for and adjustments are made if necessary

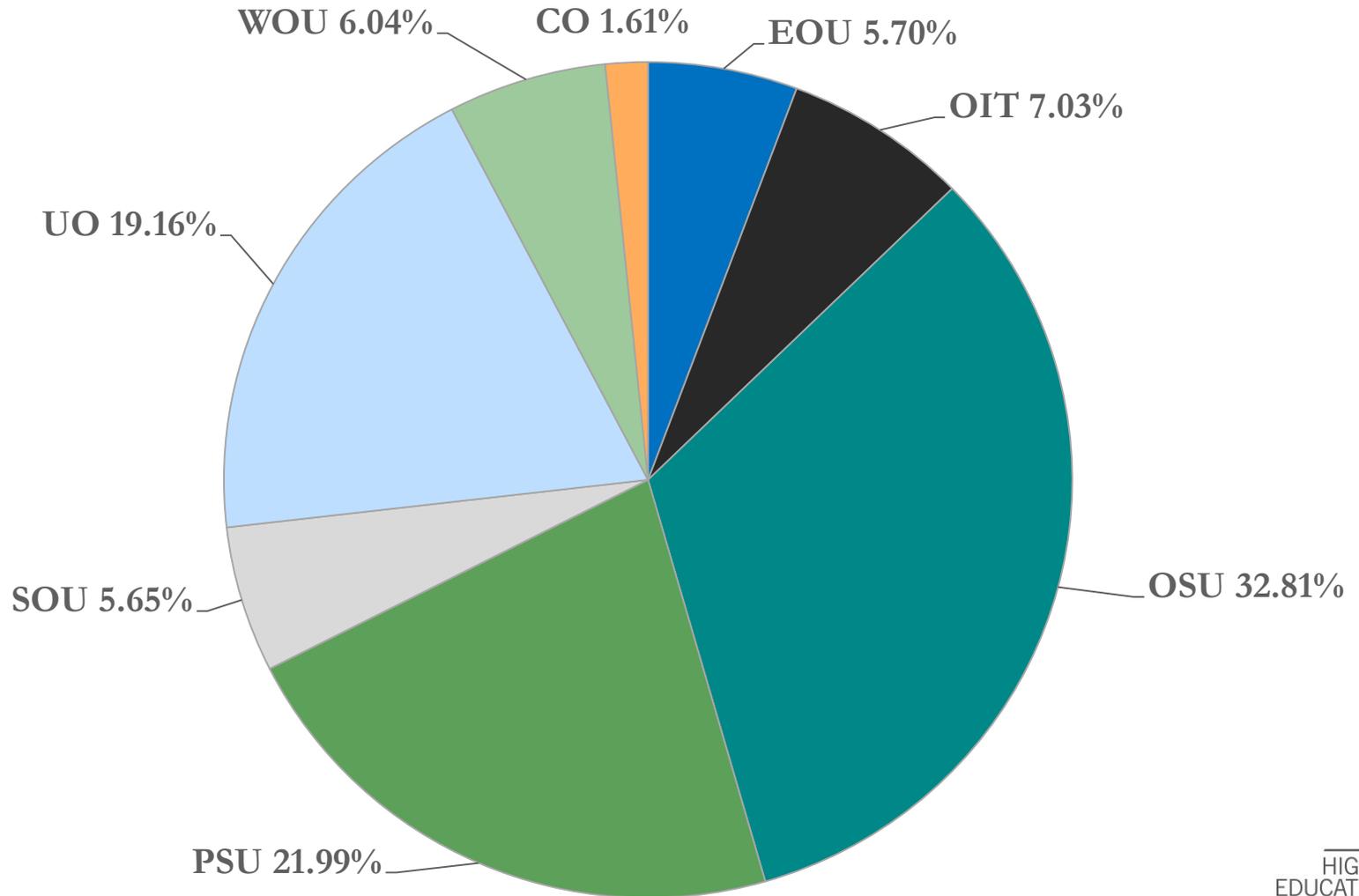


Every six years the HECC will undertake a more comprehensive process to ensure that the Model reflects the needs of institutions and priority of the state in directing resources



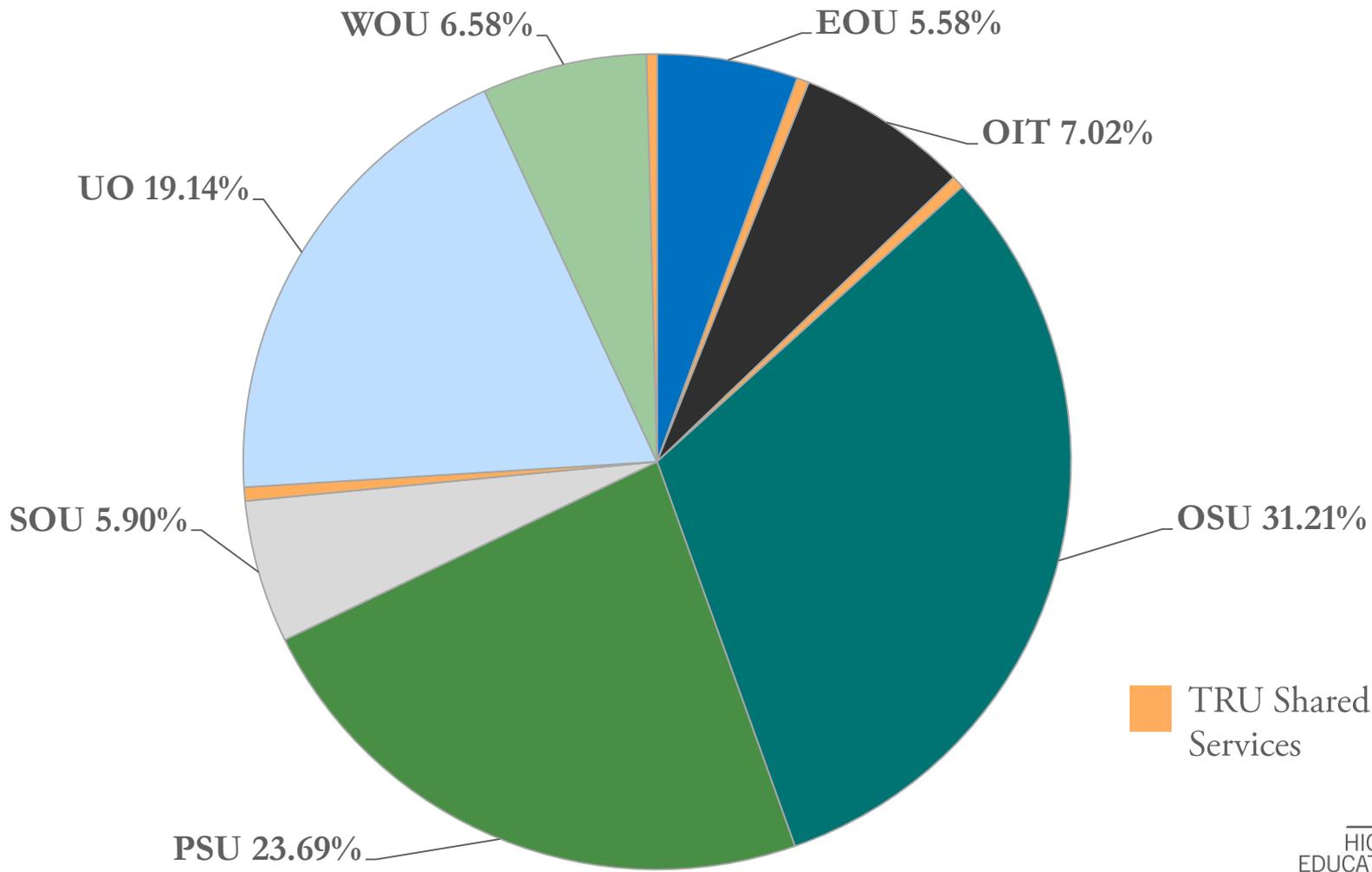
Through the evaluation of institutions with institutional boards the HECC will focus on academic quality, financial integrity and productivity of institutions to inform funding model re-evaluations

PROPORTIONAL FUNDING BY INSTITUTION – 2013-15



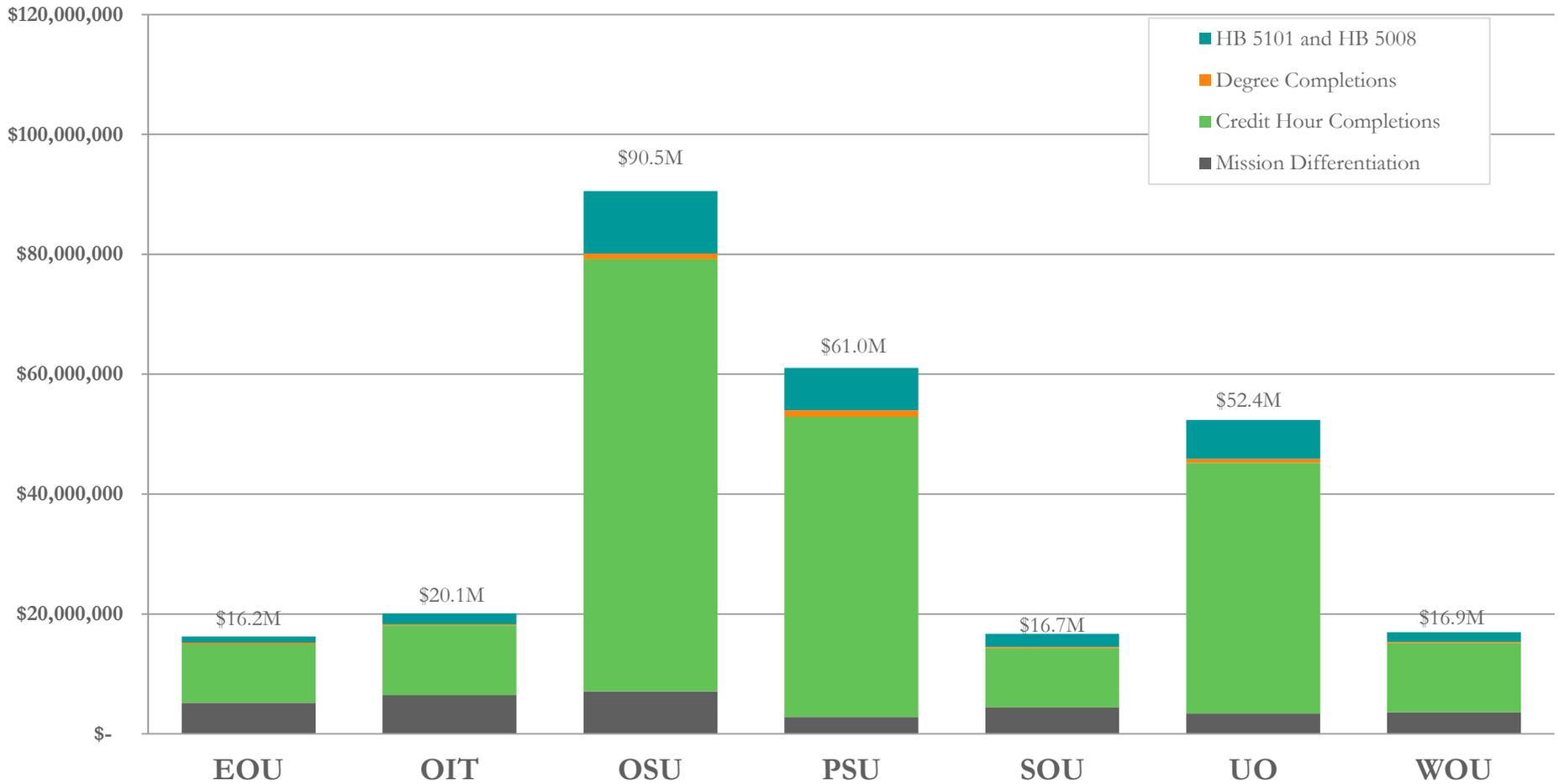
Estimated amount as FY15 settle up will take place during fall of 2015 when final data is available.

ESTIMATED PROPORTIONAL FUNDING BY INSTITUTION – 2015-17



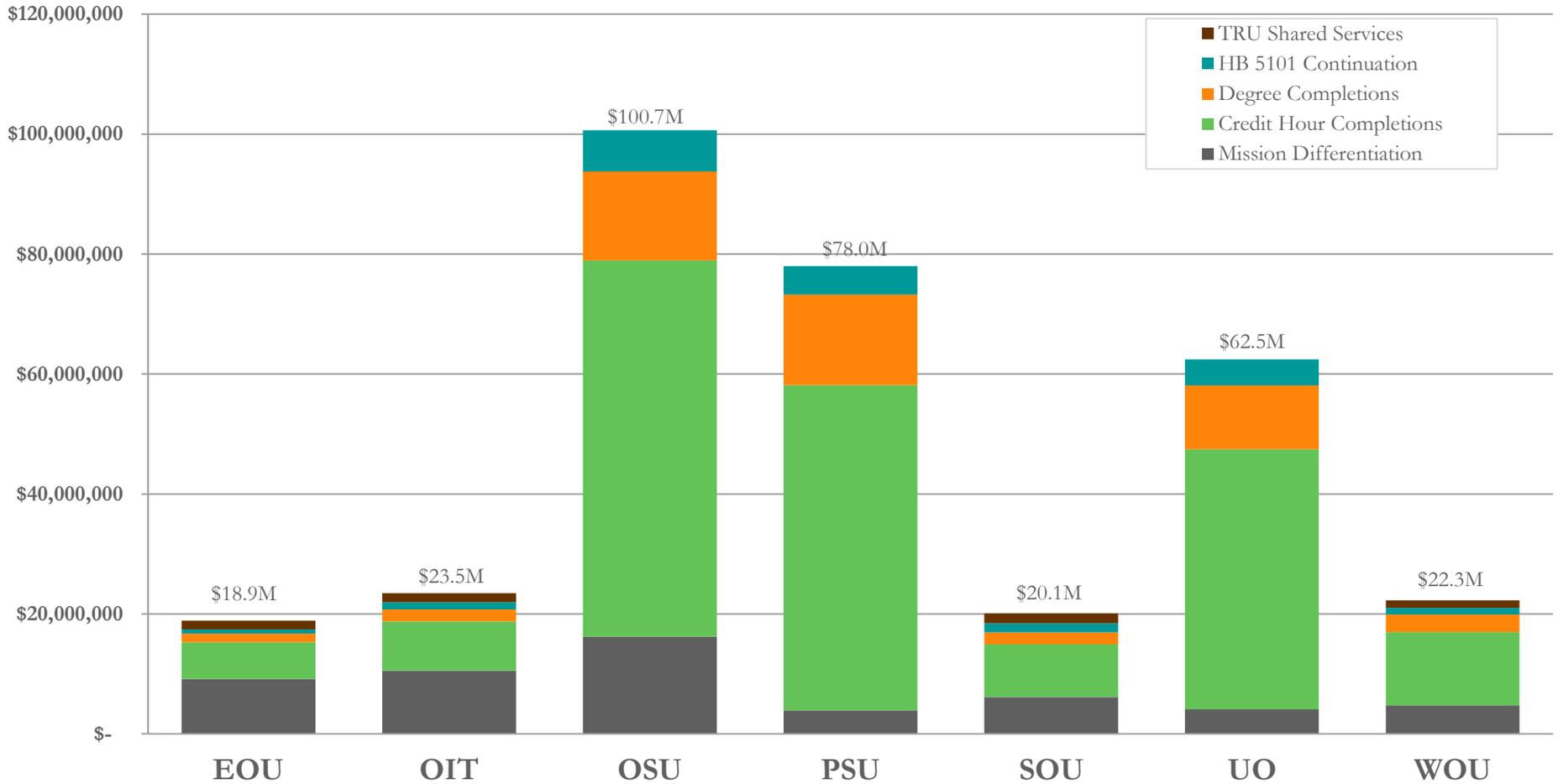
Assumes 2015-16 academic year SCH and degree completions remain constant at 2014-15 levels.

2015 RAM FUNDING

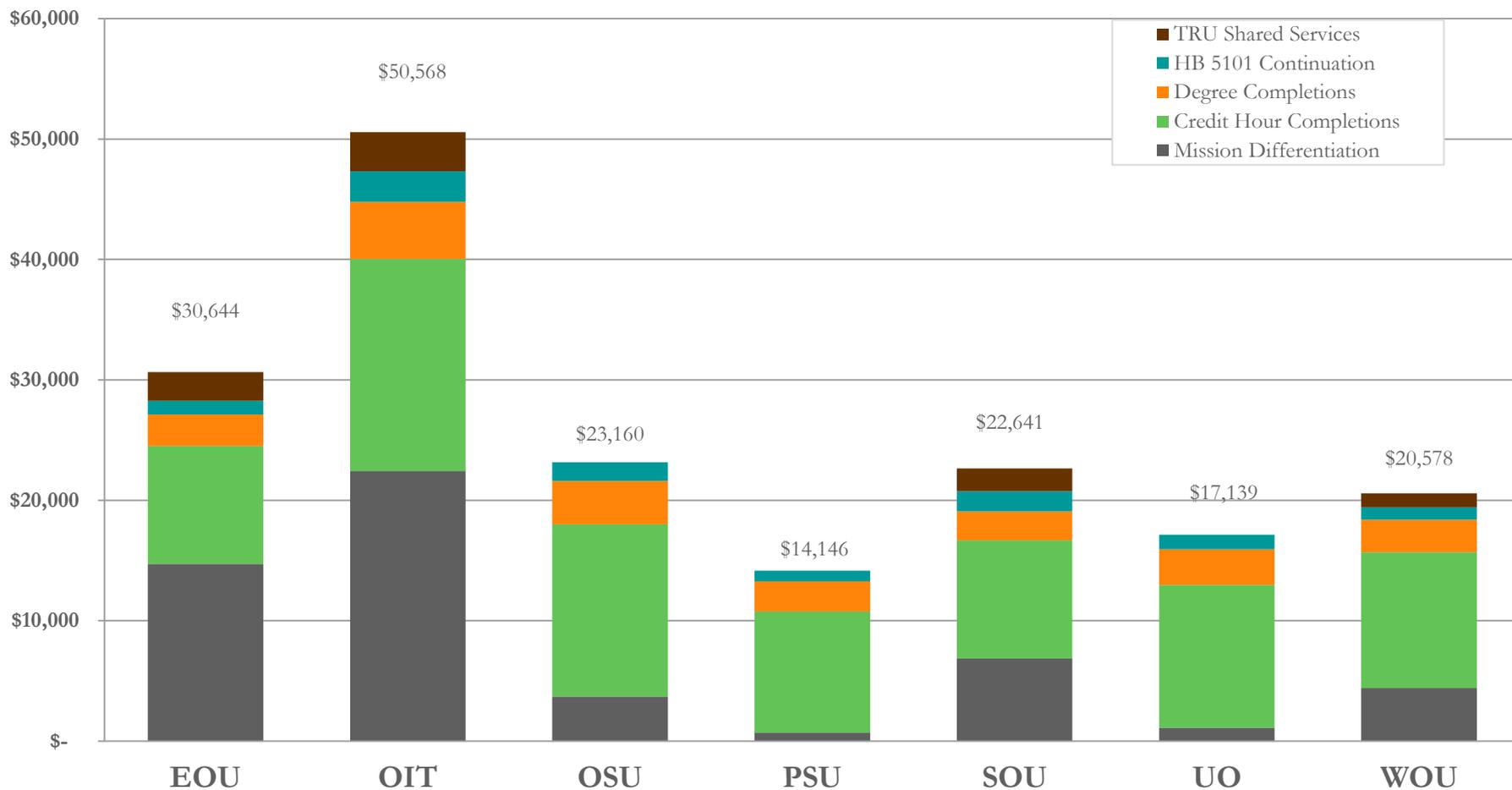


2016 SSCM FUNDING

25



2016 PER DEGREE FUNDING



IMPLEMENTATION

27

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

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

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

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

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