

Funding Formulas and State Goal Alignment

MAINTAINING MOMENTUM

Funding Formulas and State Goal Alignment: Maintaining Momentum

Jim Bennett

- Chief of Staff and Senior Policy Advisor
- Ohio Department of Higher Education

Matthew LaBruyere

- Associate Commissioner for Finance and Administration
- Louisiana Board of Regents

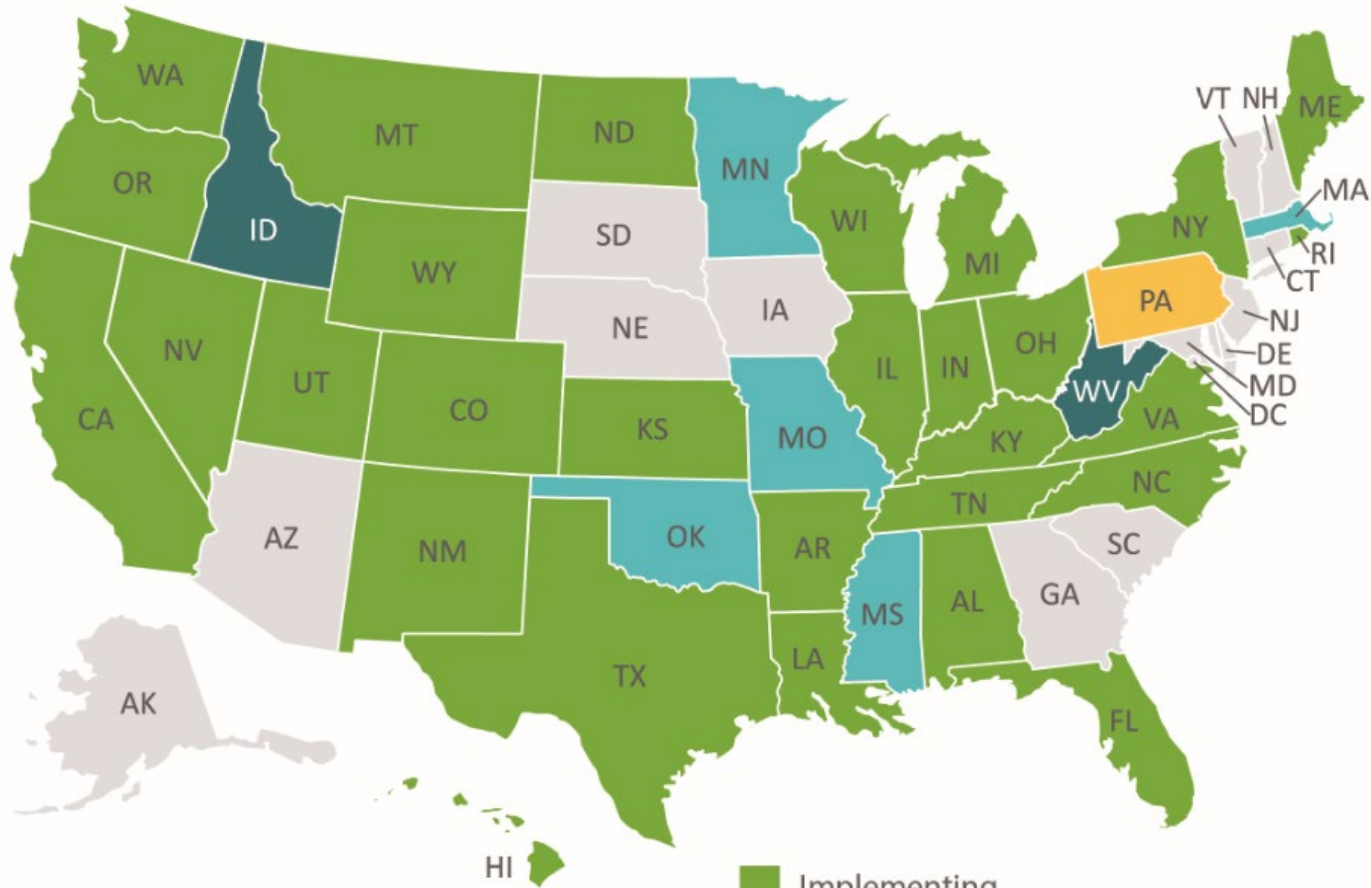
Jim Pinkard

- Director of Office of Postsecondary Finance and Capital
- Oregon Higher Education Coordinating Commission

Scott Boelscher

- Senior Associate
- HCM Strategists

Outcomes-Based Funding in States in FY 2019



PA: Using a transitional model in FY19 as a new performance funding model is developed.

- Implementing
- Developed/Not Implementing
- Developing
- Implementing & Developing

Data collected as of January 2019

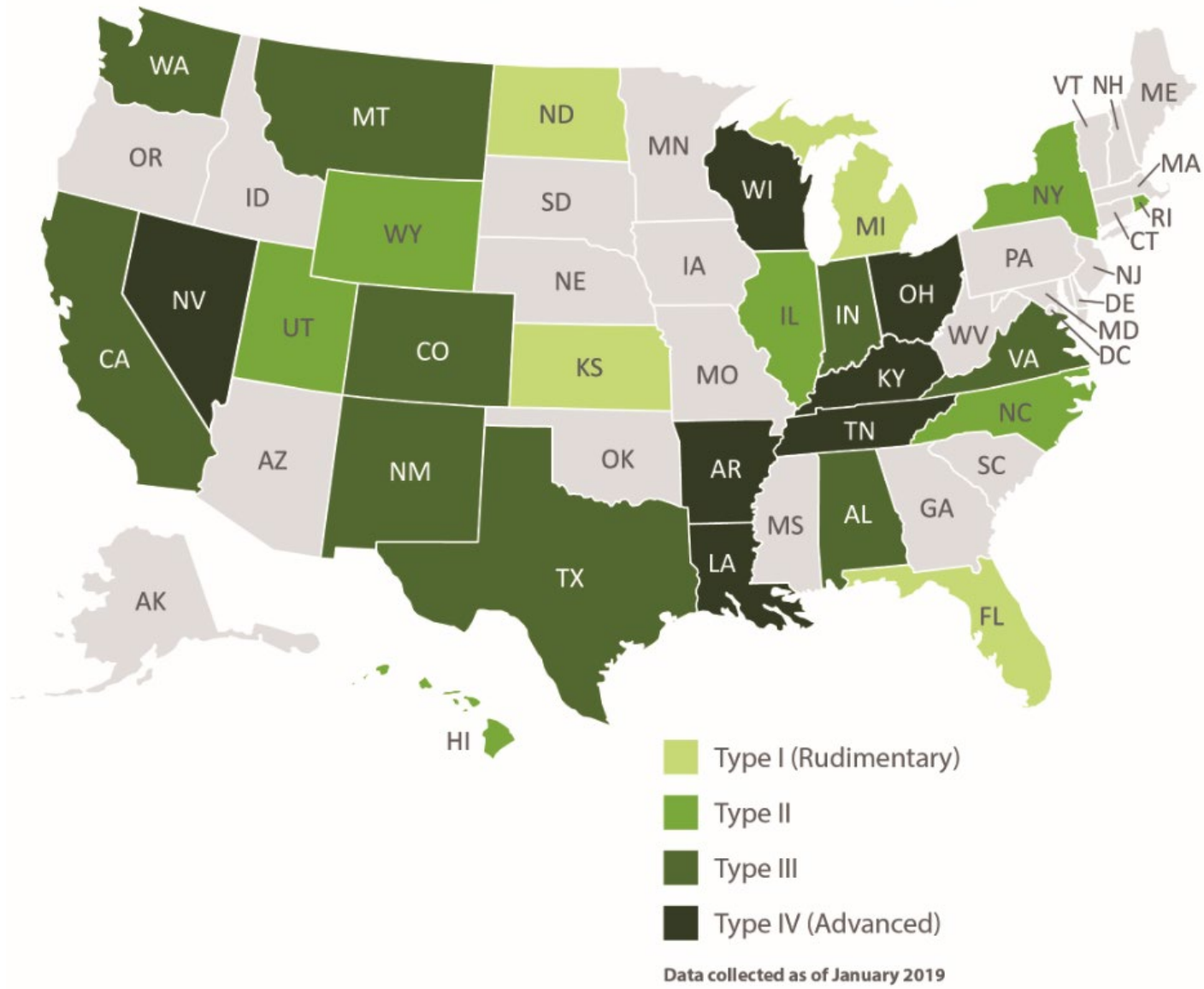
OBF Typology

- State funding systems vary significantly in design, focus and sophistication.
- HCM Strategists has developed a typology for Outcomes-Based Funding ranging from Type I (Rudimentary) to Type IV (Advanced).

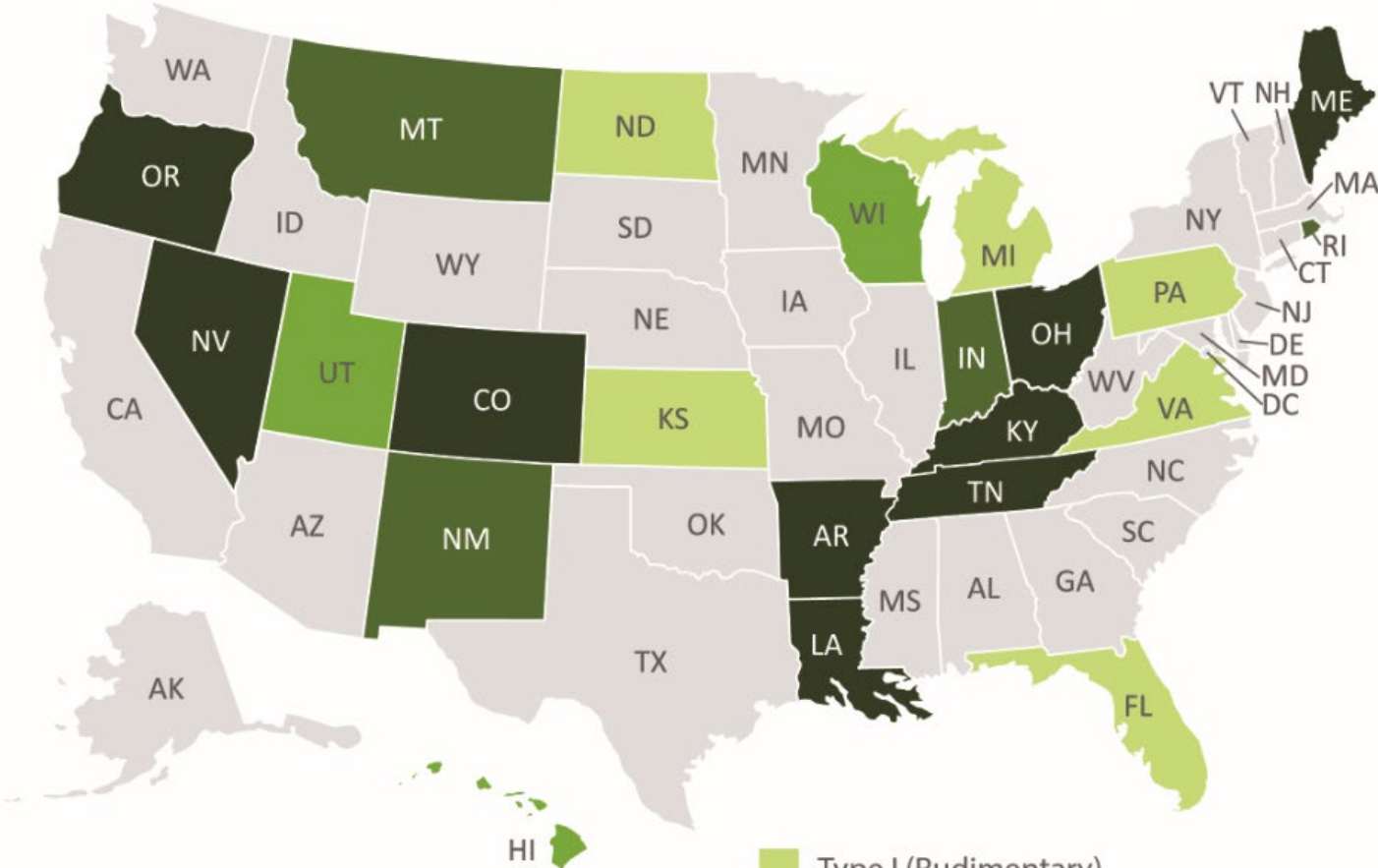
Type IV

- Aligned with completion/attainment goals and related priorities
- Recurring/Base funding
- *High level of state funding (25% or greater)*
- Differentiates by institutional mission
- Total degree/credential completion included
- Outcomes for underrepresented students prioritized
- *Formula driven/incentives continuous improvement*
- *Sustained for two or more consecutive fiscal years*

Outcomes-Based Funding in Two-Year Sector by Type in FY 2019



Outcomes-Based Funding in Four-Year Sector by Type in FY 2019

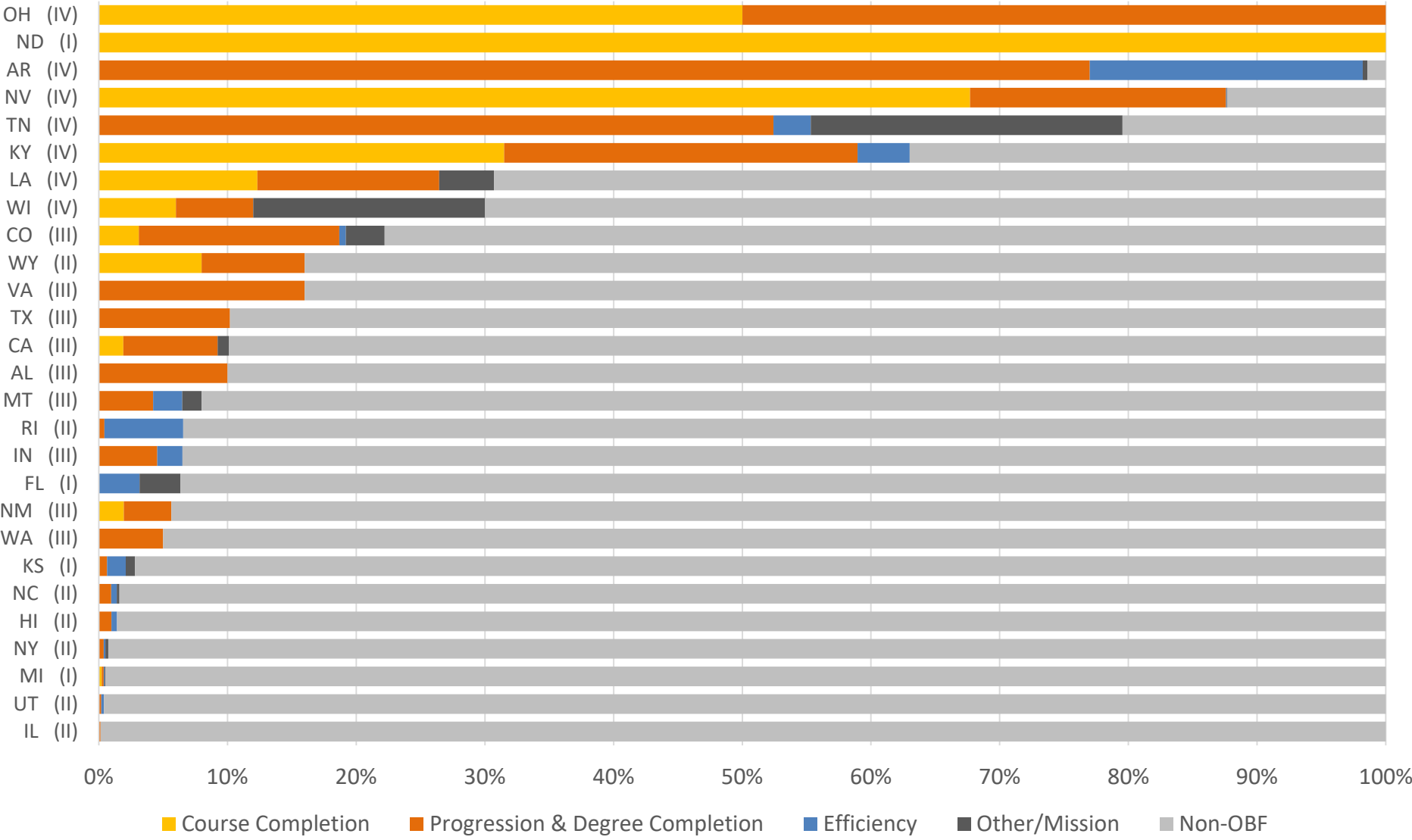


PA: Implementing for PASSHE universities only. Using a transitional model in FY19 as a new performance funding model is developed.
ME: Model will be phased out after FY19.

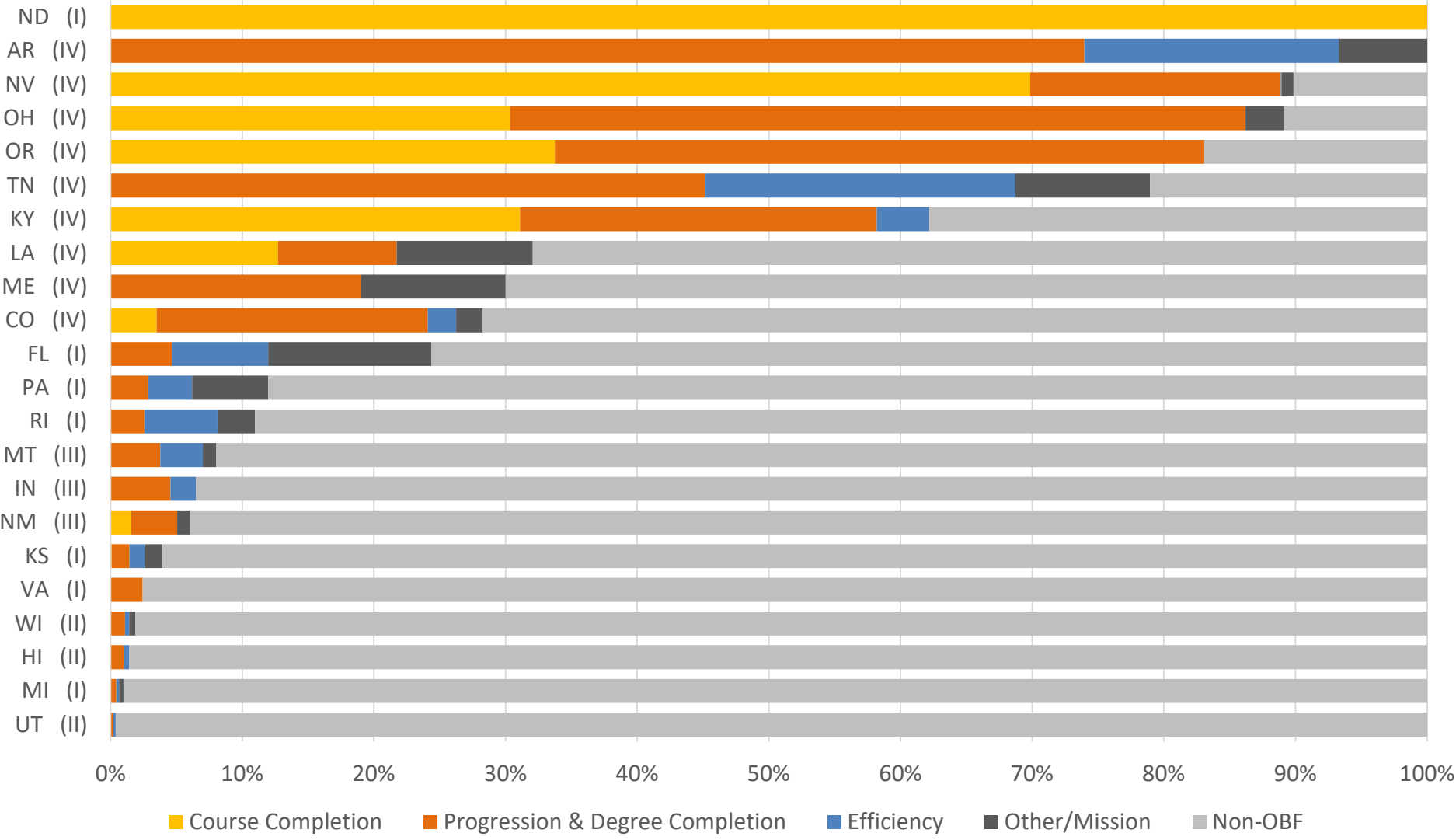
- Type I (Rudimentary)
- Type II
- Type III
- Type IV (Advanced)

Data collected as of January 2019

OBF as a Share of State Institutional Support: 2-Year Sectors



OBF as a Share of State Institutional Support: 4-Year Sectors





Outcomes Based Funding for Oregon Public Universities

SHEEO Higher Education Policy Conference

Jim Pinkard, Postsecondary
Finance and Capital

August 2019

Equity Lens Played a Big Role

- **Adopted spring of 2014**; serves as the cornerstone of the state's approach to policy and budgeting
- **Purpose** is to clearly articulate shared goals, the intentional investments needed, and to create accountability structures
- **Primary focus** of the lens is **race and ethnicity**
- **Provides clarity and direction, not just conviction.** Example is establishing weighted funding for outcomes attained by students of color.

Funding Model Components

Mission Differentiation – 18%

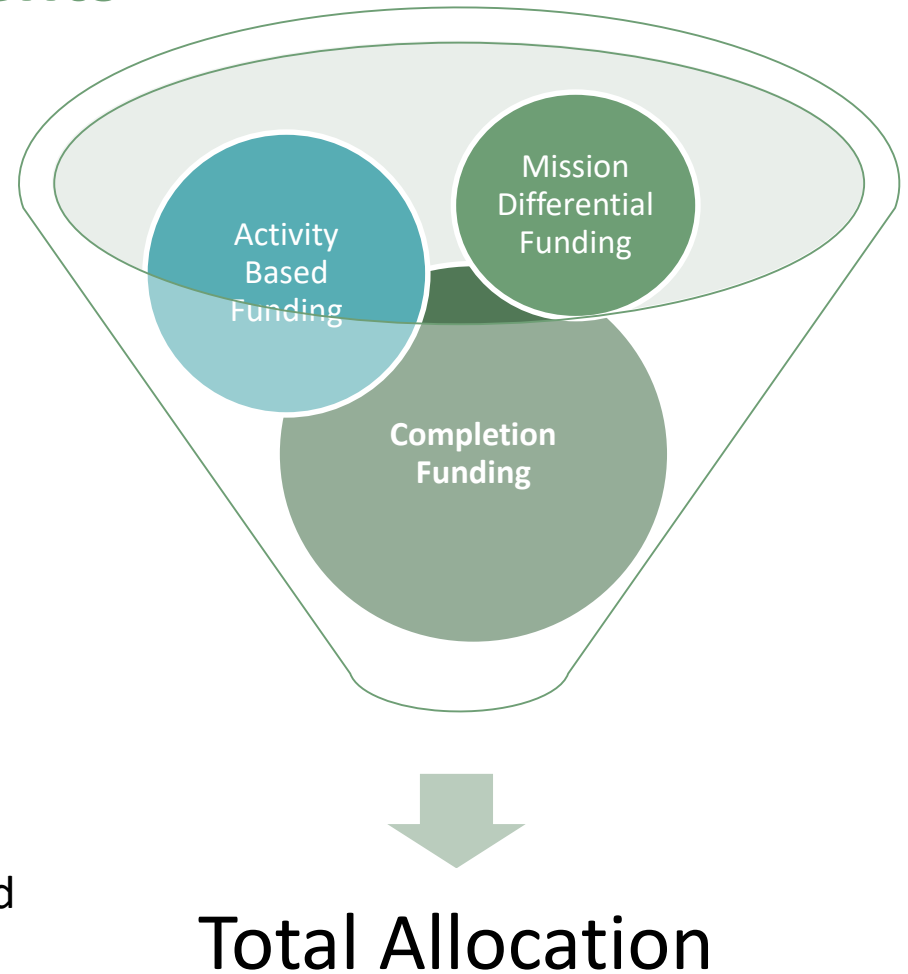
- Allocation off the top
- Based on historical levels + inflation
- Provides funding stability for regional institutions and acknowledges mission specific needs

Activity-Based – 33%

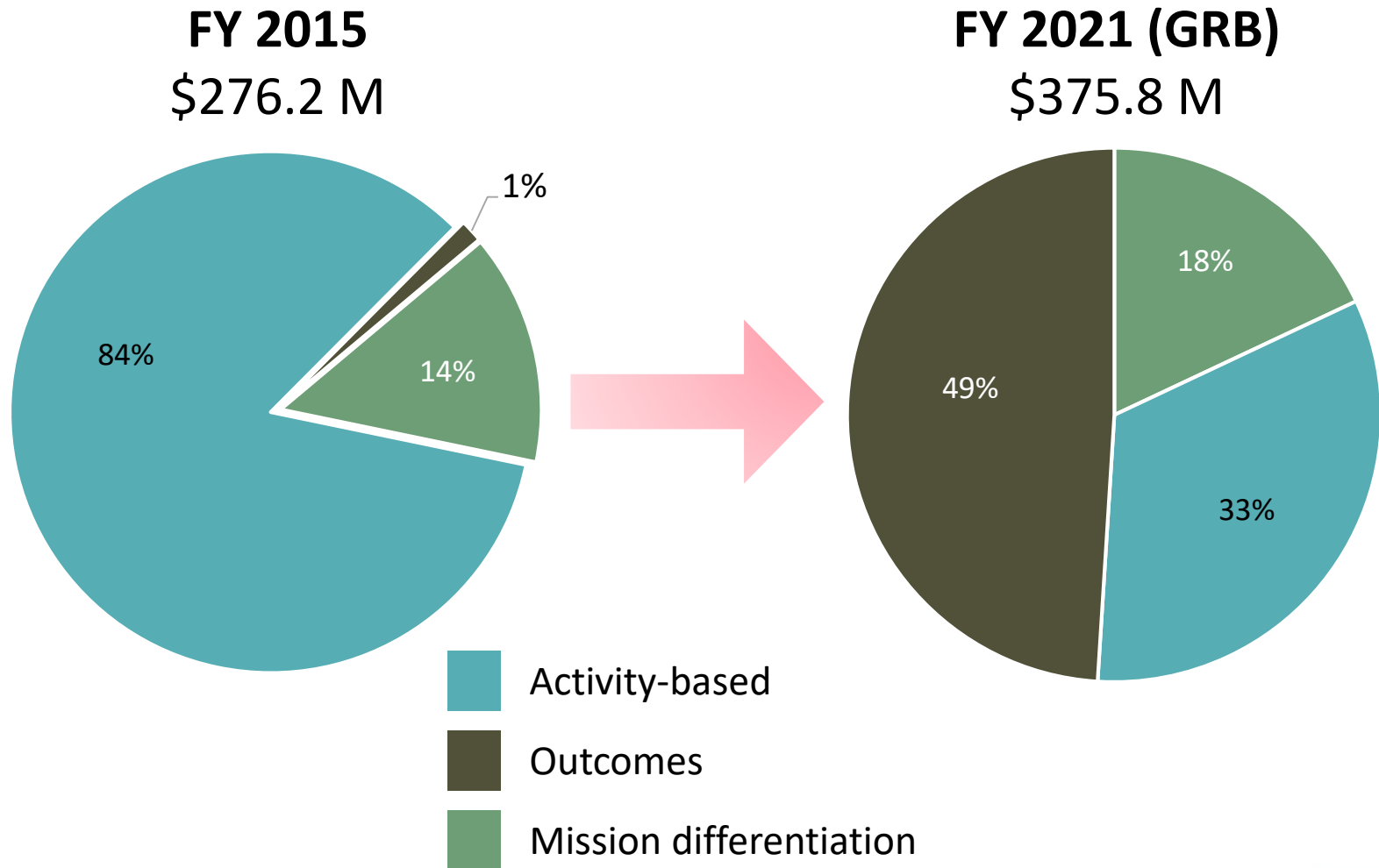
- Based on course completions
- Cost-weighting of courses by discipline

Completion Funding – 49%

- Includes degree completions at undergraduate and graduate levels
- Transfer bachelor degrees are discounted
- Additional weights for traditionally underserved students and students who complete in critical areas for the state

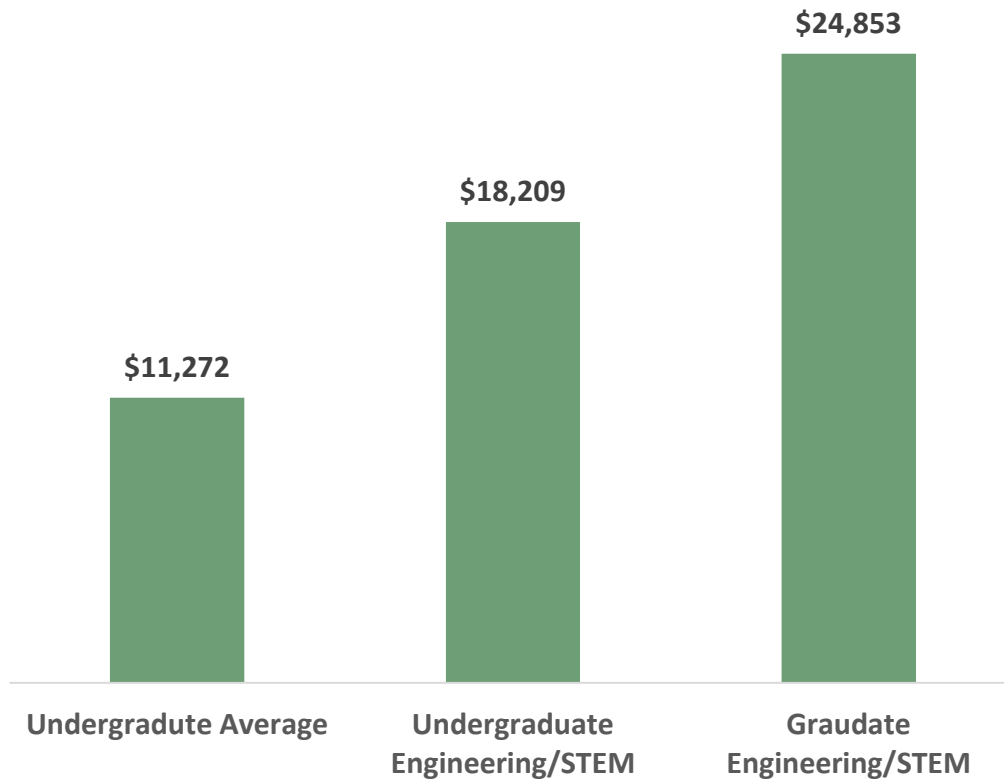


Increasing Focus on Completions



Allocation per Degree and Equity Funding

Degree Funding Range



Targeted Populations

Additional points applied to undergraduate completions for students who identify as:

- Low-income
- Underrepresented Minority
- Rural
- Veteran

Additional dollars are allocated per degree per characteristic

- 1 characteristic - \$3,280
- 2 characteristics - \$4,101
- 3 characteristics - \$4,511

Formula Review Process

Oregon Experience

- A review of data collected in Oregon; is the new model working by creating more outcomes for residents?
- What has the institutional experience been?

National Experience

- A review of research conducted nationally

Formula Advisory Workgroup

- Includes students, faculty and staff along with consulting experts and industry representation
- October 2019 to March 2020; recommendations to Commission in April 2020



BOARD *of* REGENTS
STATE OF LOUISIANA

Outcomes Based Funding Formula for Louisiana Public Institutions

SHEEO Higher Education Policy Conference

Matthew LaBruyere,
Finance and
Administration

Outcomes-Based Funding Formula

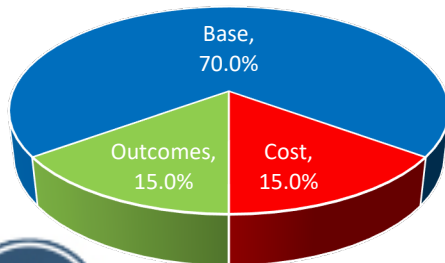
- Act 462 of 2014 required Board of Regents (BOR) and management boards to create an outcomes-based formula;
- Formula developed over 26 meetings among BOR staff and system CFOs;
- Adopted by the Board in December 2015;
- Formula includes base (prior year allocation), cost calculation, and outcomes calculation;
- Implemented for distribution in June 2016 for Fiscal Year 2017.



Outcomes-Based Funding Formula

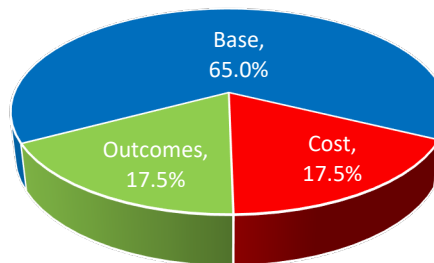
- Base – prior year funding allocation;
- Cost – includes weighted credit hours (based on level of student and program), SREB peer group data, class size, and support services;
- Outcomes - includes completer levels, transfers, completers in high demand fields (4&5-star jobs), time-to-degree, and enrollment and completion of Pell grant and adult students, and research.

FY17



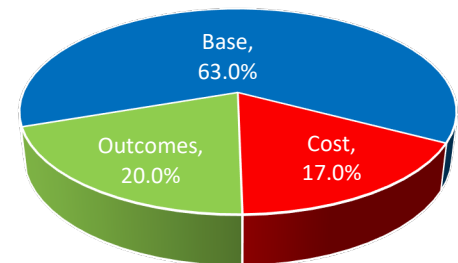
\$477.3M

FY18



\$483.0M

FY19



\$485.2M



Formula Updates for Master Plan Alignment

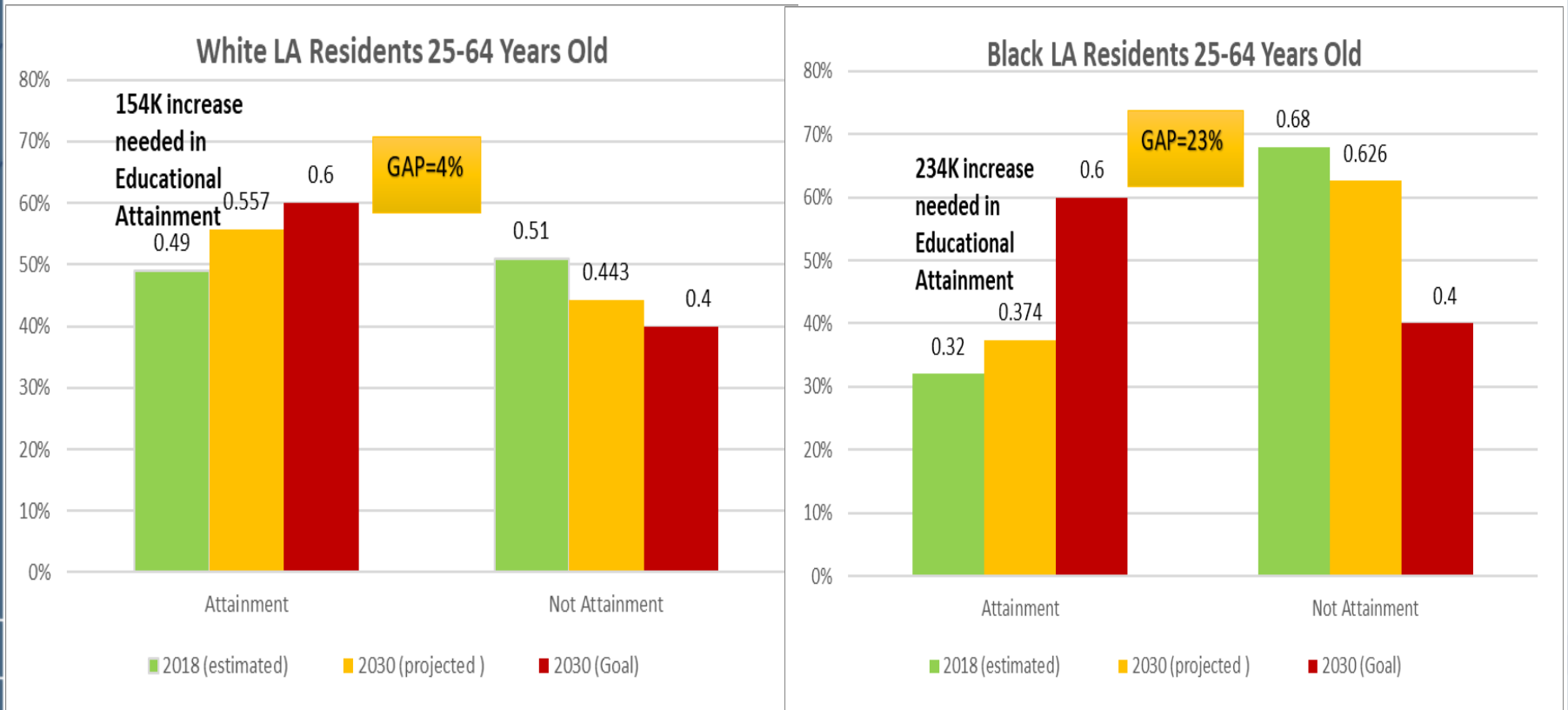
In order to achieve the Master Plan goals of access and attainment, the formula must be modified to complement the following objectives:

- 1) Expand access and success in completing Postsecondary education;
- 2) Eliminate persistent and damaging equity gaps;
- 3) Significantly increase the education level for adults.

BOR staff met with system Presidents and CFOs over the course of 3 months to develop new metrics and weights for the Master Plan aligned formula.



Equity Gap by Race



Formula Updates for Master Plan Alignment

Approved Outcomes Formula changes

- Incentivize Adult (Age 25 and older) and Income Equity Gap (Pell) on completer metric weights.
- Add a new Equity Gap Completer metric to provide for underrepresented minorities who complete a credential.
- Adjusting the Research weight to allow for equity to be incorporated into the model.





Funding Formulas and State Goal Alignment: Maintaining Momentum

Jim Bennett

Chief of Staff & Senior Policy Advisor
Ohio Department of Higher Education

August 8, 2019
SHEEO Higher Education Policy Conference

Historical Evolution

- Expectation was set and reinforced by Governor and Chancellor – leadership
- Clear directional guidance, but strong reliance on institutional expertise to build formula recommendations
- Sector-specific formula development to acknowledge differences in mission/student populations
- ODHE and other entities were engaged as subject matter experts to advise on available data, methodology, national best practices and estimated impact(s) of various scenarios

Components of the Funding Model

| Evolution of Relative Funding Components Within the SSI Formula: 4-Year Sector | | | | | |
|---|-------------|-------------|-------------|-------------|------------------|
| | FY12 | FY13 | FY14 | FY15 | FY16-FY21 |
| Historical Set Asides | 0.3% | 0.3% | 0.3% | 0.3% | 0.0% |
| FTE Course Completions | 63.2% | 58.2% | 28.2% | 30.0% | 30.3% |
| FTE Degree Completions | 15.0% | 20.0% | 50.0% | 50.0% | 50.0% |
| Medical and Doctoral Support | 21.5% | 21.5% | 21.5% | 19.7% | 19.7% |
| Stop Loss Guarantee of Prior Year's Funding | 97.0% | 96.0% | 0.0% | 0.0% | 0.0% |

Components of the Funding Model

| Evolution of Relative Funding Components Within the SSI Formula: 2-Year Sector | | | | |
|---|-------------|-------------|--------------|------------------|
| | FY12 | FY13 | FY14 | FY15-FY21 |
| Historical Set Asides | 13.5% | 13.5% | 0.0% | 0.0% |
| FTE Enrollment | 80.0% | 77.9% | 50.0% | 0.0% |
| FTE Course, Degree and Certificate Completions | 0.0% | 0.0% | 25.0% | 75.0% |
| Success Points | 6.5% | 8.7% | 25.0% | 25.0% |
| Stop Loss Guarantee of Prior Year's Funding | 97.0% | 96.0% | 97.0% | 0.0% |

Lessons Learned and Future Challenges

- Continuous review and refinement
- Communication/education to internal and external audiences
- Legislative credibility has translated into increased investment (+\$2 billion per year in total appropriations)
- Equity remains a core component
- Alignment with the state's broader agenda and focus on attainment, workforce/jobs, etc.
- Increase of 22% in degrees and certificates (FY11-FY17)
- Increase of 8% in first-to-second year retention rate (FY11-FY17)

Thank you!

jbennett@highered.ohio.gov

matthew.labruyere@laregents.edu

jim.pinkard@hecc.oregon.gov

scott_boelscher@hcmstrategists.com