Outcomes Based Funding Update
HECC FUNDING & ACHIEVEMENT SUBCOMMITTEE
PROCESS

- OBF Technical Workgroup (TWG) formed in May
- University Presidents, HECC Commission and staff leadership discuss TWG Principles (6/5)
- Discussion & status updates on OBF
  - With the Subcommittee (7/3, 10/2, 11/6, 12/4)
  - With the full Commission (6/12, 9/11)
Use existing States models and literature to create an OBF model that builds from others yet meets Oregon’s unique institutional context

Meet the principles articulated in May
- 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

Develop functional model mechanics
“Tee-up” policy questions for Commission to approve
Reconvene to develop implementation plan
TWG MEETINGS

- 6/6: Review principles and previous OUS effort; hear from consultants on national landscape and best practices
- 7/7: Review background material, academic and policy literature, scope conversation; review current PUSF framework
- 9/22: Campuses submit/rank outcome measures/metrics; discuss academic quality; group determines model inputs
  - Degrees
  - Student sub-population success
  - Priority degree types
- 11/21: Review and adjust proposed model mechanics
- 12/1: Discuss weighting structures recommendation
- 12/19: Develop proposed weighting structure range to support Commission/HECC staff recommendation
Student Sub-populations:
- Underrepresented minority students
- Low income students (Pell recipients)
- Rural students
- Veteran students
Degree area of study weighting example:

<table>
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<th>CIP</th>
<th>Description</th>
<th>Category</th>
<th>Weight</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
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OBF MODEL SUMMARY – FUNCTION

- Provides resources for “base” support for public service/mission, research and regional needs
- Allocates appropriations across institutions by performing Outcomes-Based calculations that incorporate:
  - Weighting factors
  - Performance data
- Allocates appropriations across institutions by performing Activity-Based calculations that incorporate:
  - Course cost
  - Student Credit Hour (SCH) production
- Additional capabilities:
  - Compares each institution’s allocation to prior year
  - Stop Loss – redistributes a portion of the post-OBF allocation to provide each institution support equal to a defined percentage of prior year allocation
Total Appropriations – Base =
(Outcomes-Based Funding + Activity-Based Funding)

OBF & ABF pools are allocated similarly:
- Institutional performance x weighting factors = weighted total outcomes/activity basis
- The entire OBF/ABF pool is allocated among institutions according to their respective ratio of performance points

The Stop Loss function can then redistribute a portion of allocations to keep all institutions at or above a designated level of change from the prior year

The model uses three-year rolling averages to balance predictability and responsiveness
Outcomes/Activity split – Of the non-base allocation, in the long-term how much of the total funding should be Outcomes-Based

Factor weights – Relative weights may be assigned to both Outcome and Activity measures. What is the appropriate weighting scheme?
  - Priority of degrees and degree levels
  - Priority of student sub-populations
  - Priority of degree types

Stop Loss – Should an institution’s future allocation be adjusted based on its previous allocation? What magnitude of allocation change is acceptable and over what time period?
Degree information – used for Outcomes-Based calculations
- 3-year average of RESIDENT\(^1\) degrees awarded, organized by institution, degree level, field of study (CIP)
- Sub-population statistics of degree recipients, organized by institution and number of sub-populations each student represents (more on this later)

SCH information – used for Activity-Based calculation
- 3-year average of RESIDENT\(^1\) SCH completions, organized by institution, degree level, field of study (CIP)

FY 15 RAM/Prior year allocation
- Allocation for Regional Support, Mission, and Research are determined by FY 15 RAM
- Stop Loss calculations based on prior year allocation (RAM for FY 15, new model FY 16 and through transition period)

Cost-of-instruction data – Used to weight SCH and degree outcomes data according to their relative costs

\(^1\) Non-Resident PhD students are included in PhD level calculations
POLICY VARIABLES – RECAP

- Base allocation
- SCH allocation
- OBF allocation
  - Degrees & degree level
    - Baccalaureate
    - Masters
    - Doctorate
    - Professional
    - Graduate Certificates
  - Student Sub-populations
    - Underrepresented minority students
    - Low income students (Pell recipients)
    - Rural students
    - Veteran students
- Degree type
  - STEM
  - Health
  - Bilingual Education
RATIONAL - BASE

- **Research**
  - Major portion of mission, particularly at the three research universities
  - Serves key economic development and innovation needs of the state

- **Mission**
  - Provides funding for non-instructional public service mission
  - Could include base support for certain niche high-cost programs

- **Regional Support**
  - Provides resources for higher cost mission of the four TRU universities which serve a unique and critical public policy purpose
Replicated “RAM-light” approach to cost-based structure

Used as a bridge to transition from current enrollment based funding model to future completion based outcomes model

Continues to support partnerships between institutions and sectors (dual-credit)
RATIONAL - OBF

- More tightly link state incentives to state’s investment 40-40-20 goal
- Matches “Tight-Loose” investment framework
- Creates reward for institutional investment in student services and attracting and retaining equity lens students
- Focuses institutional and state discussion and accountability to be student success centered
Degrees

- Investments in degree outcomes enjoyed overwhelming support of all TWG participants
- Simple, un-“game-able” measure
- Strongly incentivizes transfer & articulation and aligning student pathways
- Focuses on high-quality offerings and investing in student success
- All levels (BA, MA, Prof., PhD) are important to Oregon and the Oregon economy. Cannot have top-40 without advanced degrees.
- Grad degrees are an investment in quality
Student sub-populations – key to meeting equity lens goals and meeting demographic challenges

- Underrepresented minority students
- Low income students (Pell recipients)
- Rural students
- Veteran students

“Additive with Cap Methodology”

- Student completion in any 1 category receives additional weighting
- Increased weighting with increased number of categories up to a set “cap”

Targeted sub-populations need additional resources/offer unique challenges and are more expensive to serve, yet are key to 40-40-20
Oregon Employment Department forecasts for high-wage/high-demand occupations

Nearly all STEM, health or business related

Create reward for institution to focus on critical areas of the State’s economy

Bilingual Education included as key need for K-12 partners

This section will require periodic evaluation process
### RATIONALE – DEGREE TYPE

**Figure 4: High-wage/high-demand occupations requiring at least postsecondary training**

<table>
<thead>
<tr>
<th>OED Priority Rank</th>
<th>Occupation</th>
<th>Total openings 2012-2017</th>
<th>Competitive education level</th>
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<tr>
<td>16</td>
<td>General and Operations Managers</td>
<td>3,470</td>
<td>Bachelor's</td>
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<tr>
<td>11</td>
<td>Accountants and Auditors</td>
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<td>Bachelor's</td>
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<tr>
<td>5</td>
<td>Carpenters</td>
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<td>Post-secondary training</td>
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<tr>
<td>16</td>
<td>Physicians and Surgeons</td>
<td>1,794</td>
<td>Advanced</td>
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<tr>
<td>4</td>
<td>Industrial Machinery Mechanics</td>
<td>1,118</td>
<td>Post-secondary training</td>
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<td>16</td>
<td>Computer Systems Analysts</td>
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<td>Bachelor's</td>
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<tr>
<td>16</td>
<td>Cost Estimators</td>
<td>879</td>
<td>Bachelor's</td>
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<tr>
<td>16</td>
<td>Welders, Cutters, Solderers, and Brazers</td>
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<td>Post-secondary training</td>
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<td>Computer Occupations, All Other</td>
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<td>10</td>
<td>Machinists</td>
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<td>Sales Managers</td>
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<td>16</td>
<td>Pharmacists</td>
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<td>Medical and Health Services Managers</td>
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<td>5</td>
<td>Industrial Engineers</td>
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<td>16</td>
<td>Operating Engineers and Other Construction ...</td>
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<td>Post-secondary training</td>
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<td>Construction Managers</td>
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Source: ECONorthwest analysis of OED data.
QUALITY

- Quality undergirds and is the foundation for all of the HECC’s attainment goals
- The TWG has heard from IFS and OSA representatives on academic quality
- The HECC with leadership from Commissioner Dyess and Director Noor will work to develop the means for institutions to report their efforts to measure quality including:
  - Process
  - Capacity
  - Accreditation
  - Externally validated
  - Long-term employment outcomes
- It is clear that quality is too dynamic and multi-faceted to be measured numerically, but it can be viewed through a more comprehensive structure
NEXT STEPS

- TWG continues refinement of recommendations on model structure
- TWG will set forward the major policy decisions to be made and recommend ranges given Oregon’s unique institutional context and the HECC’s strategic plan
- HECC Staff will make a recommendation to the Commission in early 2015
- The Commission will vote on policy questions and adopt a funding model
- The TWG will reconvene to develop a phase-in approach and perfect technical issues within the model
OBF UPDATE

Questions?