

COMMISSION FOR HIGHER EDUCATION

Friday, December 9, 2011

DECISION ITEM D: Revised Metrics for Indiana's Performance Funding Formula

Staff Recommendation

That the Commission approve the revised metrics used in the performance funding formula for the 2013-15 biennial budget, as described in the attached document.

Background

Pursuant to House Enrolled Act 1001 – 2011, the Commission was required to analyze and evaluate the current metrics in the performance funding formula used to fund higher education. In addition, the Commission was required to propose revisions to the metrics in the formula based on public postsecondary institution feedback and other states which utilize performance based funding.

The Commission filed a report with the State Budget Committee on December 1, 2011 outlining the process taken to evaluate and analyze current metrics as well as the proposed revisions to the metrics in the formula.

Supporting Documentation

Performance Formula Revised Metrics Report to the State Budget Committee



INDIANA COMMISSION
for
HIGHER EDUCATION

TO: Indiana State Budget Committee
FROM: Teresa Lubbers, Commissioner
DATE: December 1, 2011
SUBJECT: Performance Formula Revised Metrics for 2013-15, (HEA 1001-2011)

Since 2003, Indiana has funded a portion of higher education through performance metrics based on the state's educational and economic needs. Beginning with a single performance metric for research institutions, the performance formula has grown to seven metrics aimed at improving college completion, student success and Hoosier degree attainment. During the years in which the performance formula has been in existence, the Commission for Higher Education ("Commission") has refined and updated metrics in the performance formula to ensure alignment with the state's strategic goals.

2011-13 Performance Funding Metrics

The performance formula metrics established for the 2011-13 biennial budget were: Overall Degree Completion, Low-Income Student Degree Completion, On-time Degree Completion, Successful Completion of Credit Hours, Successful Completion of Dual Credit Hours, Successful Completion of Early College Hours and Research Funding Growth. These metrics emphasized a primary focus on degree completion and attainment along with increasing student success, and rewarded each institution for improvement in these areas.

In House Enrolled Act 1001-2011, the General Assembly requested that the Commission review and potentially revise the performance formula metrics in preparation for the 2013-15 budget. Specifically, the General Assembly required the following:

"Before developing higher education biennial request instructions for the biennium beginning July 1, 2013, and ending June 30, 2015, the commission for higher education shall collaborate with the public state educational institutions on a study of the Indiana's performance funding mechanism. The study shall involve a review of performance funding models in other states, detailed consideration of the funding measures and methodology, and recommendations for use of different measures and weighting of such measures to better recognize the unique missions of the various types of campuses (e.g., research; four (4) year comprehensive; two (2) year; and community colleges). Such deliberations shall result in recommended revisions to the mechanism being used in the biennium beginning July 1, 2011, and ending June 30, 2013. In order to incorporate these recommendations into the budget instructions and other preparations

associated with the development of the biennial budget for the biennium beginning July 1, 2013, and ending June 30, 2015, this study shall be completed before December 2, 2011, and submitted to the state budget committee for its review and consideration.”

The Commission set forth a plan in the summer of 2011 to address the requirements of the legislative mandate and created a list of tasks that should be accomplished to meet the deadline of December 2, 2011 and issue a report to the State Budget Committee.

Refining the Performance Funding Metrics

One of the first steps taken by the Commission, and one that played a key role in the development of the metrics, was reaching out to the seven public postsecondary institutions to gain feedback and recommendations regarding metrics that could be used in the performance formula. During July and August of 2011, Commissioner Lubbers met personally with each institution’s President to discuss thoughts on the current performance formula and metrics. This provided an opportunity for university leadership to suggest changes, revisions and updates to the metrics directly to the Commission. This input was compiled by the Commission as a starting point for potential revisions to the performance formula metrics.

Starting in July 2011, the Commission began working with an external consultant, HCM Strategists, to help develop an inventory and comparative analysis of other states’ performance-based funding models. From July through September of 2011, HCM Strategists worked on a multi-state assessment of the various performance based models used in other states. The report focused on states including Ohio, Tennessee, Pennsylvania and Washington, and provided an assessment of each state’s performance model and a comparison to Indiana. In addition, HCM Strategists suggested options for Indiana to integrate into its performance formula based on successful practices employed by other states with well established performance funding models. The final report by HCM Strategists was provided to the Commission in August of 2011 and is included as an attachment to this document.

At the end of August 2011, the Commission had obtained initial feedback from each institution along with the HCM report analyzing other states’ performance funding models. Based on this work, the Commission developed a matrix that categorized potential changes to the performance formula around trends and common themes. All seven institutions agreed on several aspects including: keeping metrics stable over time and minimizing changes; including a metric that focuses on low income student degree attainment; the need for research funding; including other types of degrees beyond associate and bachelor degrees; and general support for performance funding in Indiana. However, even with overall agreement in some metrics and themes, there were suggestions and changes to the metrics that were institution specific and not across the board.

Using the matrix as a starting point for further discussion, the Commission again sought institutional feedback from the institutions’ Chief Financial Officers at a September 2011 meeting. This forum provided an opportunity for institutions to discuss proposed changes in a larger group setting and allowed the Commission to inquire further about suggested changes. Also, institutions were able to provide feedback concerning the HCM Strategists study and the preliminary findings in the report. In

addition to Commission staff and institutional staff, several Commission members were in attendance at the meeting and provided reaction to the suggested changes made by the institutions and the HCM report.

Another tool for the Commission during this process was a roundtable discussion with other states that had well established performance funding models. In August of 2011, Indiana invited Pennsylvania, Tennessee and Ohio to discuss their experience with performance funding. Several groups attended the meeting including Commission staff and Commission members, legislators, legislative staff and institutional staff. The meeting provided an open dialogue with those states as to how they created performance funding models, positive and negative effects of such models, and lessons learned based on their experiences. This opportunity to have face to face dialogue with major players in the performance funding initiative provided the Commission with relevant information to begin revisions to Indiana's metrics.

From July through September of 2011, the Commission compiled a comprehensive list of potential revisions to the metrics in the performance formula from institutions, Commission Members, other states and the HCM report. With the benefit of this information, the Commission began to work internally to narrow the large list of potential metrics to a more manageable list that could be implemented for the 2013-15 budget. Three key areas were identified as focus points for the new metrics: **Completion, Progression and Productivity**. The Commission selected metrics which would fit into one of the three focus points while keeping mission differentiation as a guiding consideration. During the Commission's annual retreat with all Commission members in October of 2011, feedback and thoughts on performance formula metrics were solicited and included in the development of the revised metrics.

Throughout October and November of 2011, Commission staff worked with a key group of Commission members familiar with the performance formula to finalize a list of revised metrics. The Commission selected metrics that fit within the three focus points and that were aligned with the Commission strategic plan *Reaching Higher*, focusing on mission differentiation, completion, progression and productivity.

Proposed 2013-15 Performance Funding Metrics

For the 2013-15 budget development process, the Commission recommends the following metrics for the performance formula (*included in more detail in Attachment A*):

Completion Metrics

- **Overall Degree Completion** – Resident only students. Includes 1 year certificates, associate degrees, bachelor degrees, masters degrees and doctoral degrees. This metric would be open to all institutions.
- **At Risk Student Degree Completion** – Resident only students. Includes 1 year certificates, associate degrees and bachelor degrees. Applies if the student graduating with the degree is a Pell recipient at the time of graduation. The metric would be open to all institutions.

- **High Impact Degree Completion** – Resident only students. Includes bachelor degrees, masters degrees and doctoral degrees in STEM related fields. STEM is defined as Science, Technology, Engineering and Mathematics based on national standards. Only research campuses would be open to this metric, IUB, IUPUI, PUWL and BSU.

Progress Metrics

- **Student Persistence Incentive** - Resident only students. Provides an incentive if a student successfully completes a set number of credit hours at an institution. Would provide an incentive at the 2 year institutions for students meeting 15, 30 and 45 credit hours, and at 4 year non-research campuses 30 and 60 credit hours. The metric would be open to those non-research campuses, Ivy Tech, Vincennes, USI, ISU, PUC, PUNC, IPFW, IUE, IUK, IUSB, IUS, and IUE.
- **Remediation Success Incentive** – Resident only students. Provides an incentive to the 2 year institutions for students who successfully complete a remediation course and then successfully complete a gateway college level course. Would apply only to those courses in math and science. The metric would be open to Ivy Tech and Vincennes.

Productivity Metrics

- **On-Time Graduation Rate** – Resident only students, first time, full time. Provides an incentive for improvement in the on-time graduation rate at 4 and 2 year institutions. On-time graduation rate is considered 4 years for 4 year institutions and 2 years for 2 year institutions.
- **Institutional Defined Productivity Metric** – This metric would be selected by each institution and submitted to the COMMISSION for approval. The metric would need to align with the strategic plan of the institution and focus on reducing the cost of attendance to the student. The metric will differ by each institution but is geared to rewarding an institution for improving productivity in some manner.

Recommendations and Next Steps

The Commission believes these metrics reflect the priorities of the state with regard to incentivizing college completion, Hoosier degree attainment and overall student success. The revised metrics reflect mission differentiation and continue to measure each institution against itself, not against each other.

Regarding the allocation recommendation for the performance formula, the Commission would recommend that the level of funding for performance formula increase from the current level of 5% to 6% in 2014 and 7% in 2015. Depending on the overall appropriation amount in those years the total dollars will change, but the Commission is committed to increasing the performance formula allocation to those levels in the next biennium. However, the Commission is not prepared at this time to recommend the weighting of each metric in the formula due to the lack of appropriate data. In addition, adjusting the weighting of each metric during the budget development process rather than setting them in place earlier, gives the Commission another tool when developing the 2013-15 budget recommendation.

The Commission plans to vote on the revised metrics during the December 9, 2011 meeting. Since this report is being provided prior to that vote, the revised metrics are still considered in draft form until the Commission formally considers the proposal. Once the Commission votes on the final set of metrics, the Commission will provide an update to the State Budget Committee.

Dual credit and research are not included in the list of revised metrics as compared to previous years. Several members of the Commission and others felt these metrics should be funded outside the performance funding allocation.

Attachment A

Indiana 2013-2015 Performance Funding Metric Definitions

FINAL DRAFT

November 21, 2011

- **Degree Completion Metrics:**
 - **Overall Degree Completion – (Affects all institutions)**
 - Calculates the change in degrees conferred over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - For resident students only (no reciprocity)
 - Applies to 1 year certificates and associate degrees conferred at 2 year institutions
 - Applies to bachelor, masters and doctoral degrees conferred at 4 year institutions
 - VU may include bachelor degrees, but only for those bachelor programs approved by the Commission.
 - **At Risk Student Degree Completion – (Affects all institutions)**
 - Calculates the change in degrees conferred over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - For resident students only (no reciprocity)
 - Only those students who were eligible for Pell when they graduated from the institution
 - Applies to 1 year certificates and associate degrees conferred at 2 year institutions
 - Applies to bachelor degrees conferred at 4 year institutions
 - VU may include bachelor degrees, but only for those bachelor programs approved by the Commission.
 - **High Impact Degree Completion – (Affects four year research campuses: IUB, IUPUI, PUWL and BSU)**
 - Calculates the change in degrees conferred over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - For resident students only (no reciprocity)
 - For specific degree types that are granted in STEM fields as defined by national standards set by Complete College America (CCA)
 - Applies to bachelor, masters and doctoral degrees conferred by the institutions

Note: High Impact and At Risk metrics will be funded independently at levels lower than the primary metric of overall degree completion.

- **Progression Points:**
 - **Student Persistence Incentive – (Affects all non-research campuses)**
 - Calculates the change in headcount over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - Applies to all resident undergraduate students (no reciprocity)
 - Progress point accumulation requires the student to complete all credits at the same institution. Dual credit courses and transfer credits are not eligible for the incentive.
 - For 2 year campuses, number of students who successfully complete 15, 30 and 45 hours
 - For 4 year non-research campuses, number of students who successfully complete 30 and 60 credit hours
 - **Remediation Success Incentive – (Affects 2 year institutions)**
 - Calculates the change over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - Applies to resident students only (no reciprocity)
 - Applies only to remedial and gateway courses in Math and English
 - Student must complete both remedial courses and gateway college level courses at the same institution
 - For 2 year institutions that provide remedial courses to students enrolled at the campus
 - Applies to students who successfully complete both remedial classes and gateway college level course

- **Productivity Metrics**
 - **On-time Graduation Rates – (Affects all institutions)**
 - Calculates the change in FTE over a 3 year period rolling average (2006 through 2011; average of 2006 - 2008 versus 2009 - 2011).
 - Applies only to resident, undergraduate, first time, full time students (no reciprocity)
 - Measures the graduation rate for institutions based on type of campus
 - For 2 year institutions, the graduation rate achieved in 2 years
 - For 4 year institutions, the graduation rate achieved in 4 years
 - **Institution Defined Productivity Metric - (Affects all institutions)**
 - Each institution will provide one productivity metric linked to their strategic plan
 - Institutions will provide their recommended metric to CHE in January 2012
 - CHE will review the proposed productivity metrics and discuss with the institutions in order to reach an agreement on individual metrics
 - Productivity metric should focus on reducing cost of attendance for students

Funding Allocation:

- Will be a percentage of annual operating appropriation (2012-13)
- Currently 5% in 2013, \$61M
- **Grow to 6% in 2014 and 7% in 2015**
- **At the current appropriation level, would equate to \$73M in 2014 and \$85M in 2015 in funding**

Items to be funded outside of the Performance Funding Formula (Will determine funding through CHE Budget recommendation)

- **Dual Credit Successful Completion**

- **Improving Graduation Rates**

- **Research Incentive**