

Outcomes Based Funding

2023 Budget Discussion

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Associate Commissioner and CFO

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IMPROVEMENT
OF STUDENT
OUTCOMES

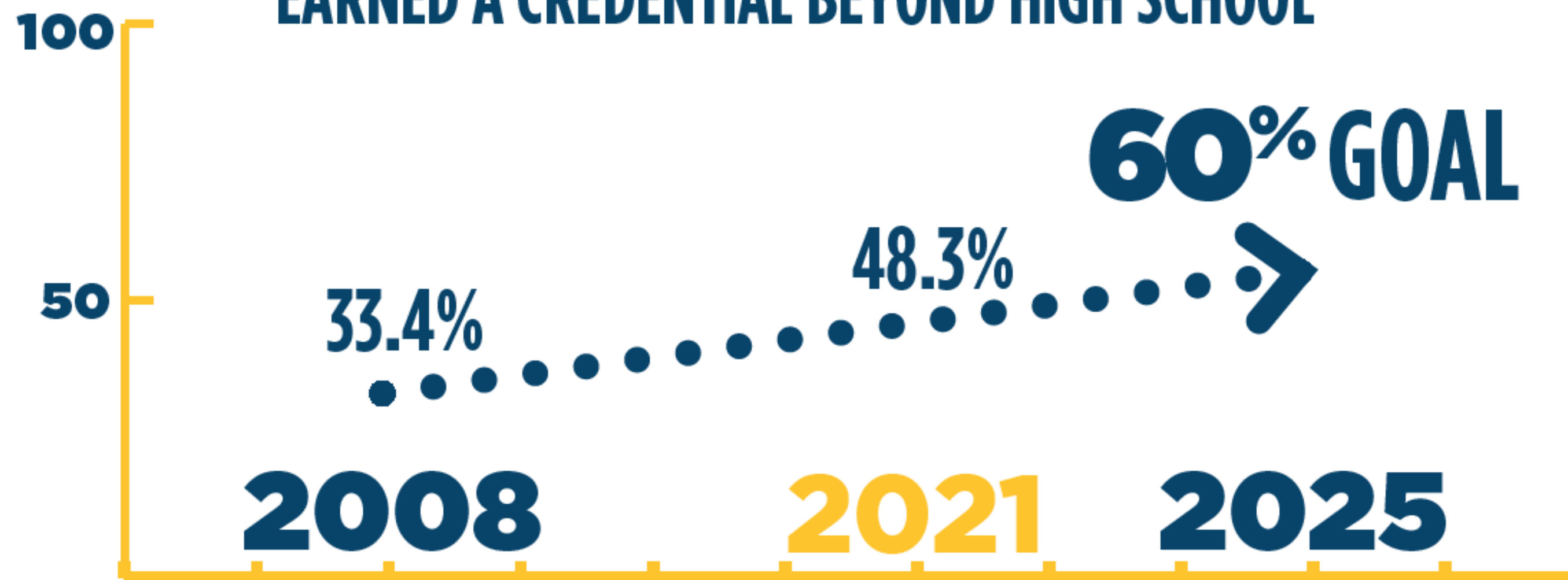
(2009 - 2019)



			10-Year Change
Overall Degree Completion		All Degrees and Certificates	55%
On-Time Degree Completion	On-Time Number of Completers	Associate	180%
		Bachelor's	96%
		Total	101%
	On-Time Graduation Rate	Associate	11%
		Bachelor's	19%
At-Risk Degree Completion		All Degrees and Certificates	137%
STEM Degree Completion		All Degrees and Certificates	89%
Student Persistence Incentive	2-Year Institutions	Completed 15 CH	0%
		Completed 30 CH	6%
		Completed 45 CH	3%
	4-Year Institutions	Completed 30 CH	2%
		Completed 60 CH	13%
		Completed 90 CH	13%

“THE BIG GOAL” - 60% ATTAINMENT

CURRENTLY, **48.3%** OF HOOSIERS HAVE
EARNED A CREDENTIAL BEYOND HIGH SCHOOL

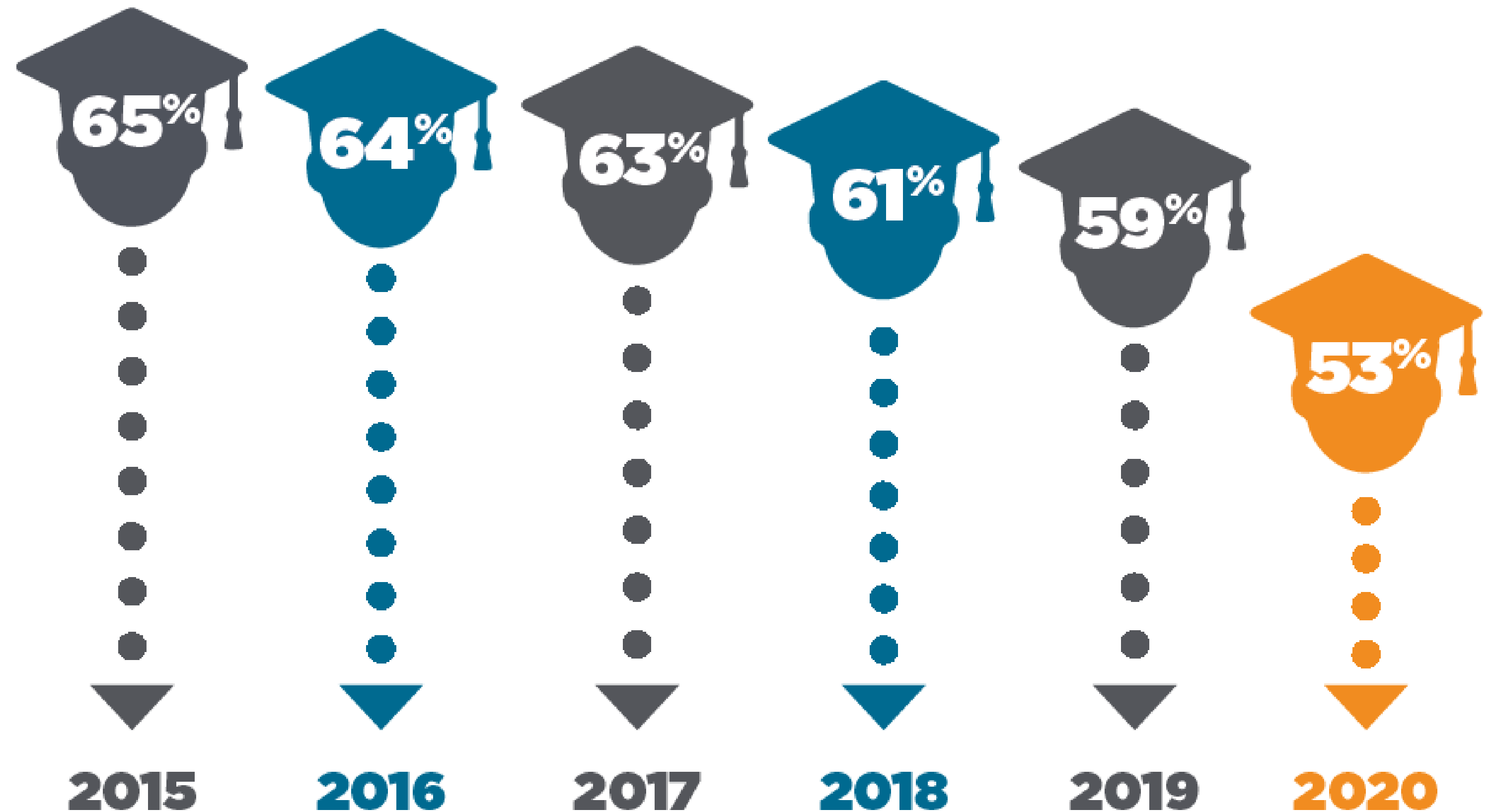


- ▶ 51.9% of the U.S. workforce has a certificate, certification or degree
- ▶ Indiana is 37th in the nation in educational attainment ([Lumina](#))
- ▶ 60% attainment requires:
 - ▶ Increasing the college-going rate
 - ▶ Growing the # of adults earning credentials
 - ▶ Retaining Indiana’s college grads after graduation

A KEY CHALLENGE

- ▶ First college-going cohort impacted by COVID-19
- ▶ Decrease of 6 percentage points between 2019 and 2020
- ▶ Sharpest decline and lowest college-going rate in a generation
- ▶ Following a national trend

Hoosier high school graduates are 12 percentage points less likely to go to college than five years ago



EDUCATIONAL ATTAINMENT & THE MARKET

- ▶ Supply and demand of talent

EDUCATION LEVEL	INDIANA UNEMPLOYMENT RATE (2021-22)	INDIANA LABOR PARTICIPATION RATE (2021-22)
Less than a high school diploma	6.4%	42.3%
High school diploma	4.4%	57.0%
Some college or Associate degree	2.6%	65.3%
College degree	0.9%	73.0%

- ▶ CHE’s 2022 College Readiness Report

- ▶ Will be released June 7
- ▶ Highlight concerns and challenges; offer calls to action and recommendations



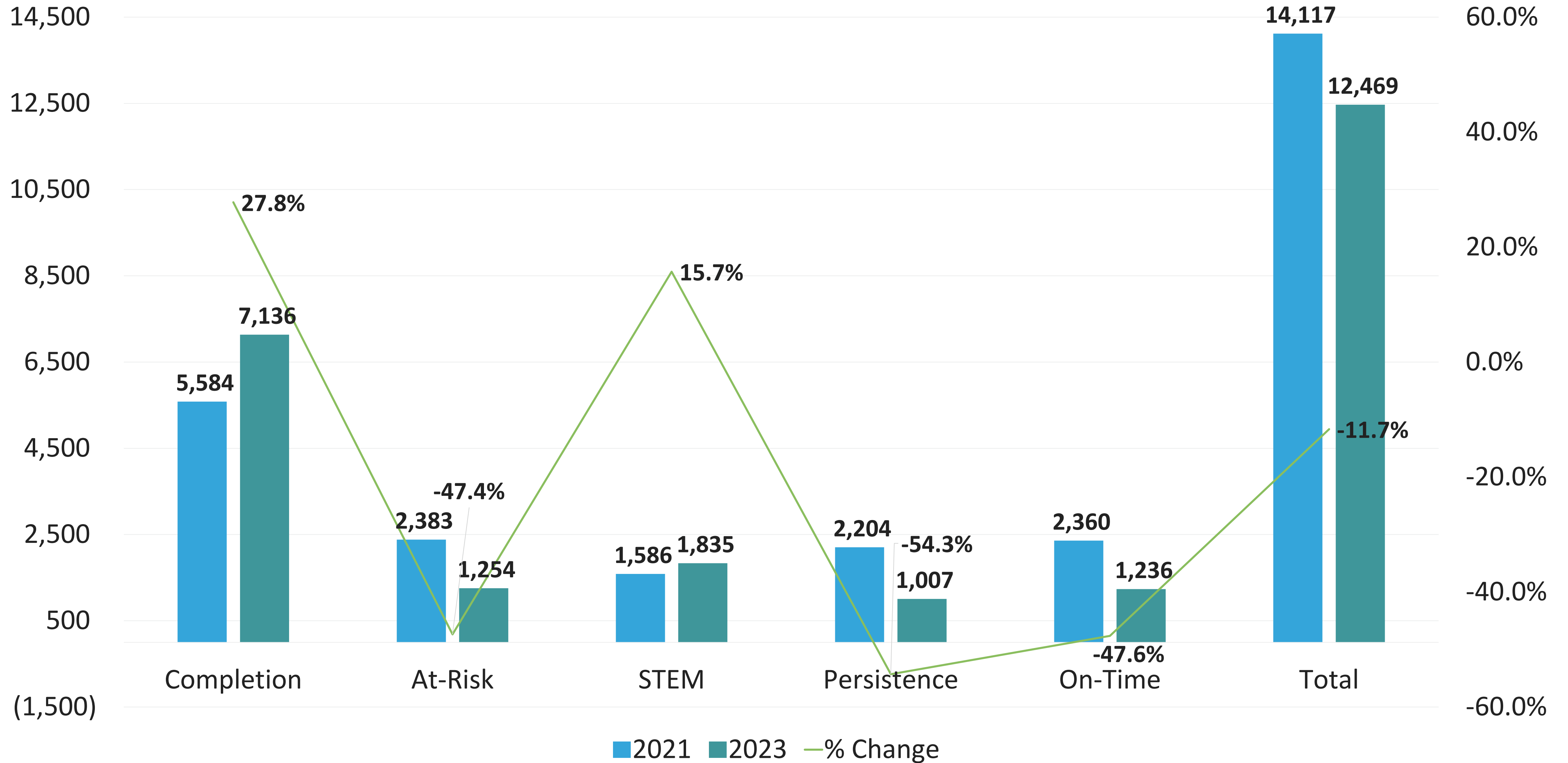
2023 OBF

CHANGE IN UNITS (3-YEAR AVERAGE Δ)

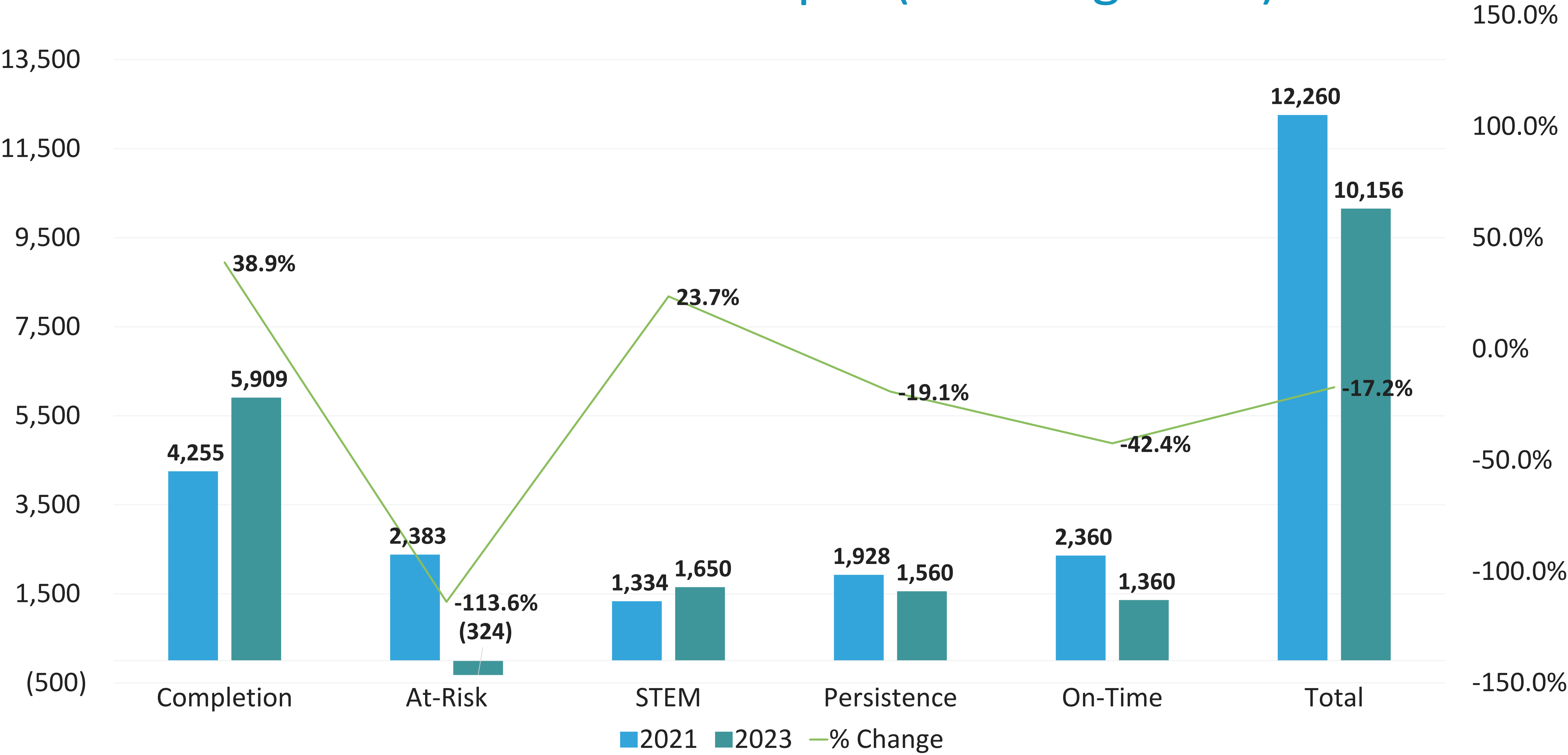


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2023 Net Units Output (no negatives)



2023 Gross Units Output (with negatives)



CHANGE IN UNITS: DISCUSSION

► **Completion:**

- Growing: 18-29 credit hour (3,282), 1-year certificate (2,767), Masters (626)
- Declining: Associates (-442), Bachelors (-324), Doctoral (-4)

► **At-Risk**

- Negative gross growth overall (-324) (10/15 institutions negative) (4/5 are IU campuses)
- However, “net” growth still positive (but 47% below 2021)

- Proportion of 18-29 credit hour & 1-year cert growth declining (-25.6% points & -13.2% points Δ)
- Still positive funding due to overall completion growth in less-then Associates.

► **STEM:**

- Gross units are up (316) (only Ivy Tech & Purdue show growth above 2021)

► **On-Time**

- 14/15 institutions are showing improved rate, but 15/15 earn less units compared to 2021 – i.e. slowed growth

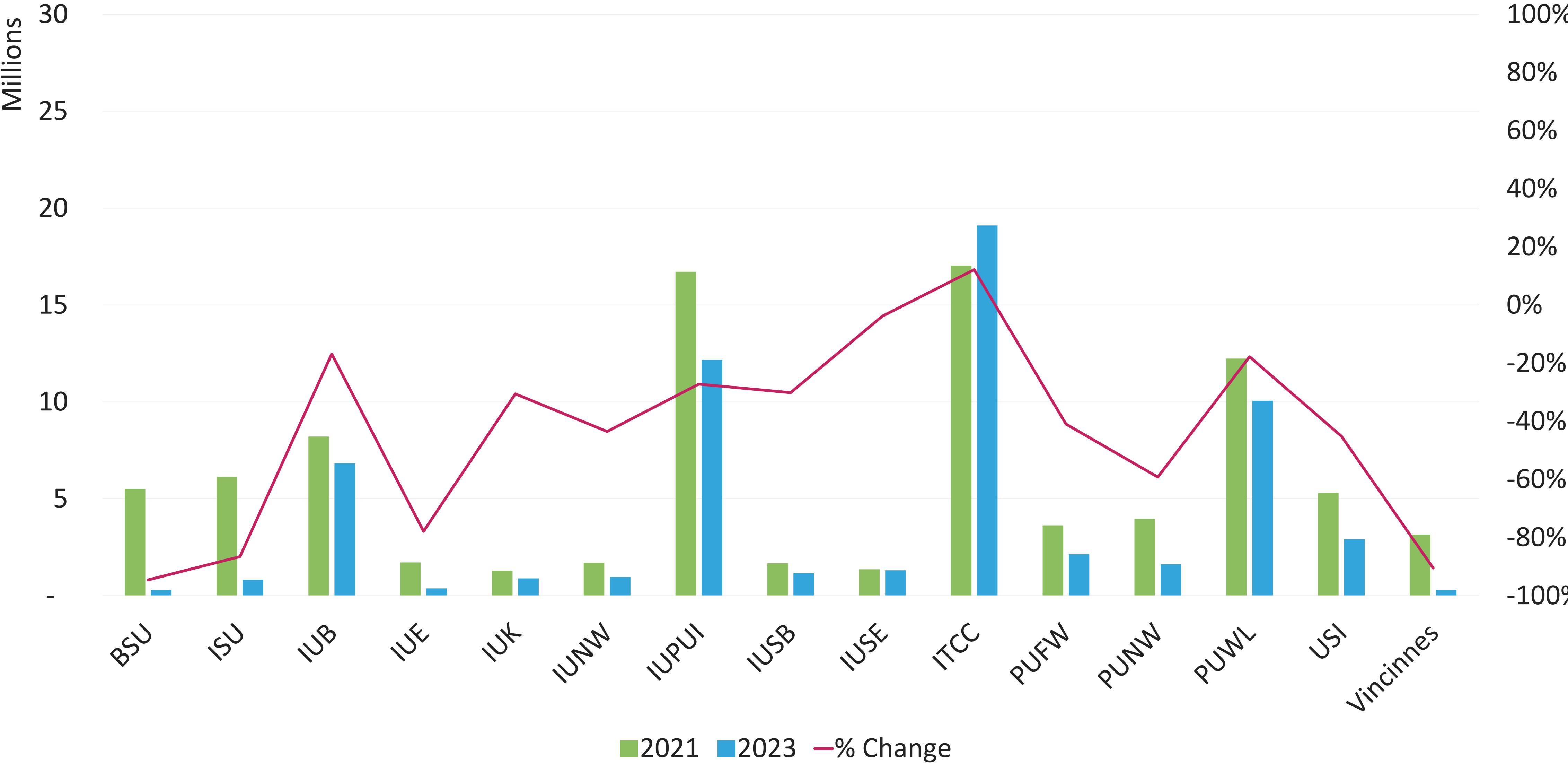
2023 OBF

CHANGE IN GROSS FUNDING (IGNORES REALLOCATION)

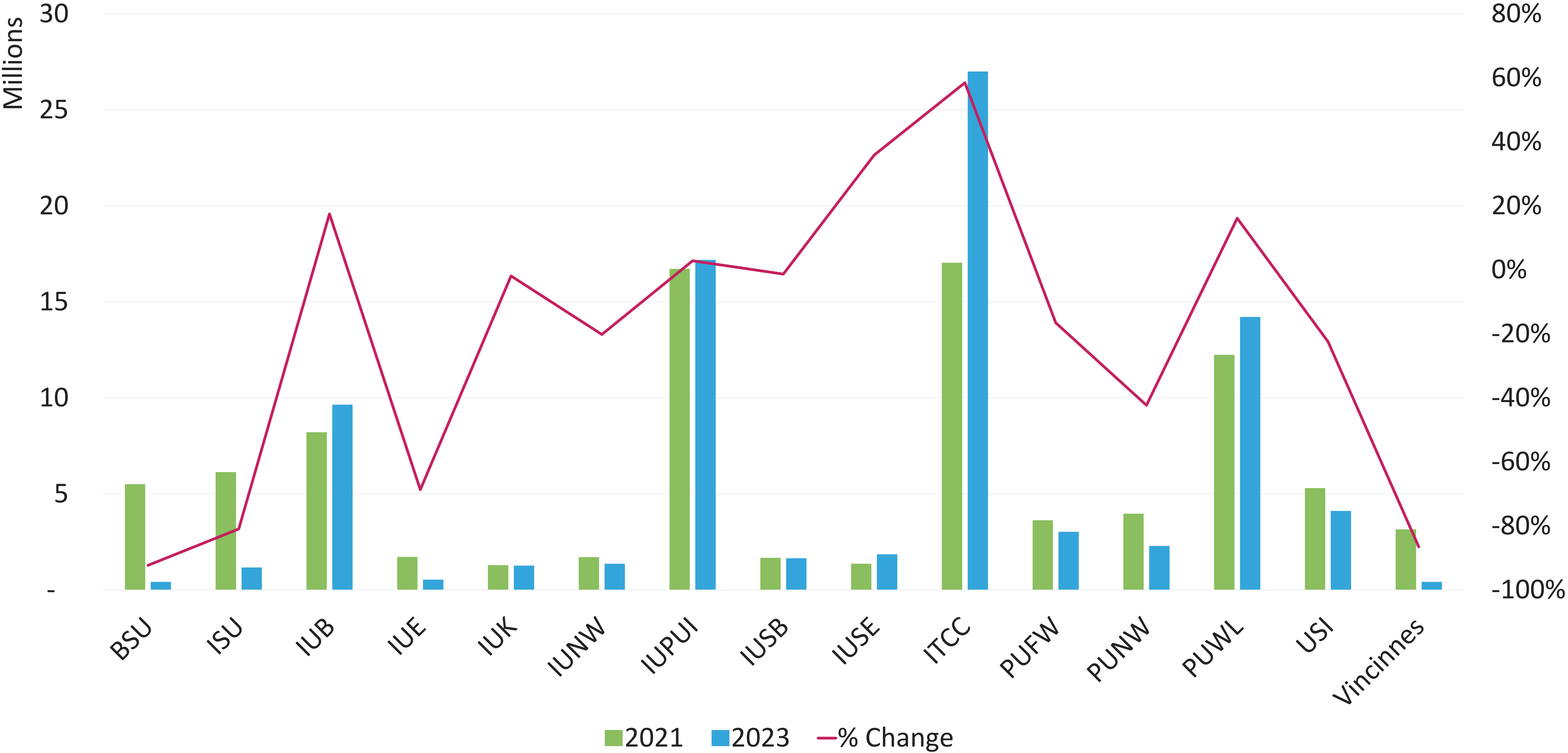


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2023 Funding Output



2023 Funding Output – Prorate 41%



CHANGE IN GROSS FUNDING: DISCUSSION

- ▶ Formula **spending down 29%** from 2021 Budget
 - ▶ \$61M vs \$86M in 2021 Budget
- ▶ Gross funding:
 - ▶ On-Time (-45%), At-Risk (-46%), Persistence (-35%) STEM (+9%), and Completion (+9%)
- ▶ Weights shifts:
 - ▶ On-Time (52% -> **40%**), At-Risk (16% -> **12%**) to completion (18% -> **28%**) and STEM (12% -> **18%**)
- ▶ Year-over-year performance doesn't show 29% decline (nature of 3-year average comparison)
 - ▶ In many areas, seeing 2-4 year stagnation

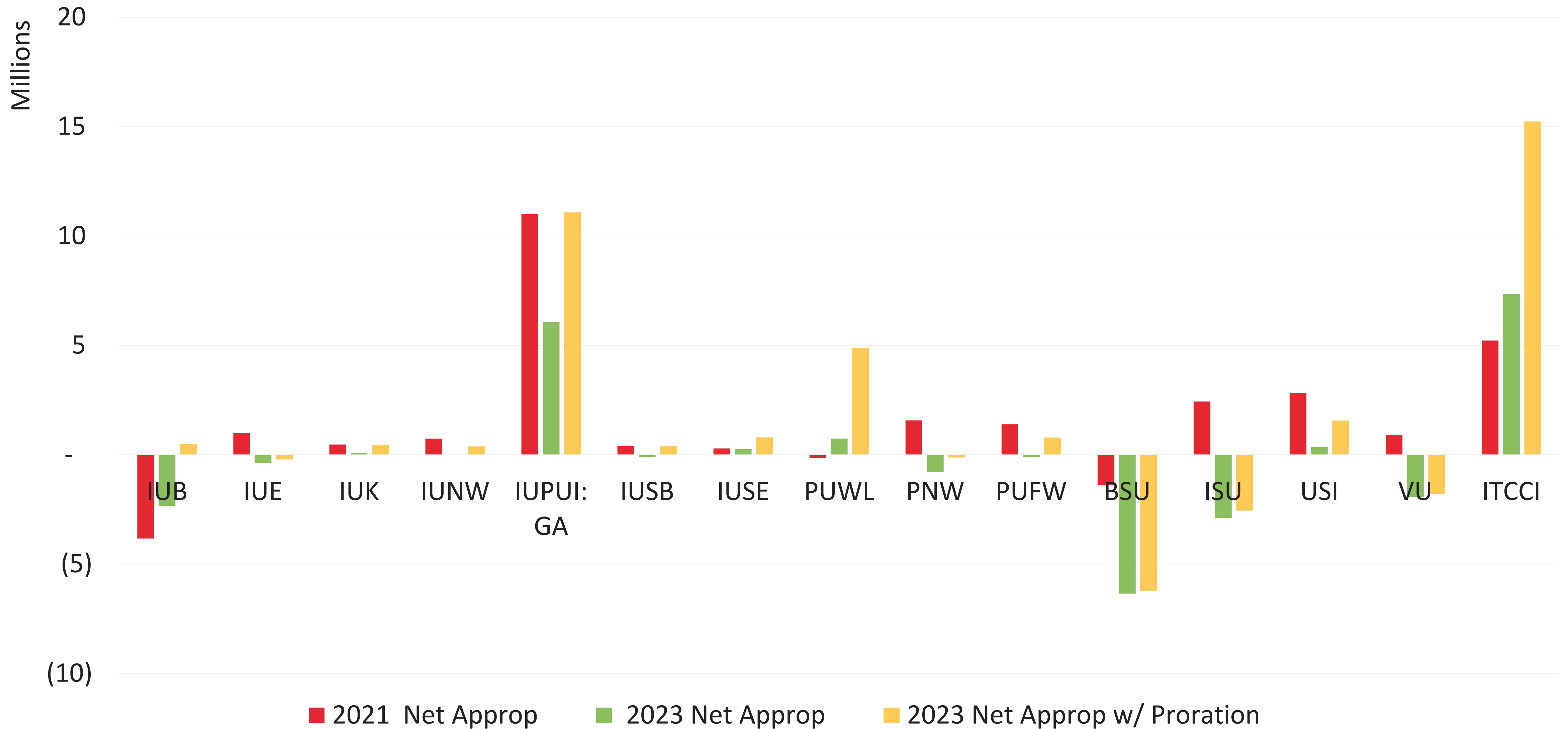
2023 OBF

CHANGE IN NET FUNDING (5% REALLOCATION)



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Net Gain/Loss by Institution



CHANGE IN NET FUNDING: DISCUSSION

- ▶ Represents largest/broadest funding cuts since the Great Recession
 - ▶ -\$14.7M across 9 institutions without proration
 - ▶ -\$11.0M across 5 institutions with proration
- ▶ Statewide on-time rate up 4.5%
- ▶ Amplifies 2021 formula trends (growth in certificates, slowing growth elsewhere)
- ▶ Proration drives further divide between institutions

BACK TO THE CHALLENGE

- ▶ 48.3% toward 60% Big Goal; 37th in the nation
- ▶ Declining college going rate, adult population and retention of graduates
- ▶ Falling behind in state funded support for higher ed ([SHEEO](#))
 - ▶ 10th **lowest growth** in state support over 5 years (8%). National Average is 21.3%
 - ▶ 12.7% growth vs 22% inflation over last decade
- ▶ Legislative expectations and opportunity
- ▶ Presidential meetings and feedback
- ▶ “But for” question (Reward vs. Incentive)
- ▶ What is missing?

PROPOSAL

- ▶ Remain focused on the Big Goal and split outcomes-based funding into two buckets:

1) Retrospective Reward funding: Legacy model

- Adjust \$ per unit values to maintain proportionality to 2021 model

2) Prospective Incentive funding: New line item “Outcomes-Based Funding Incentive” *(example only)*

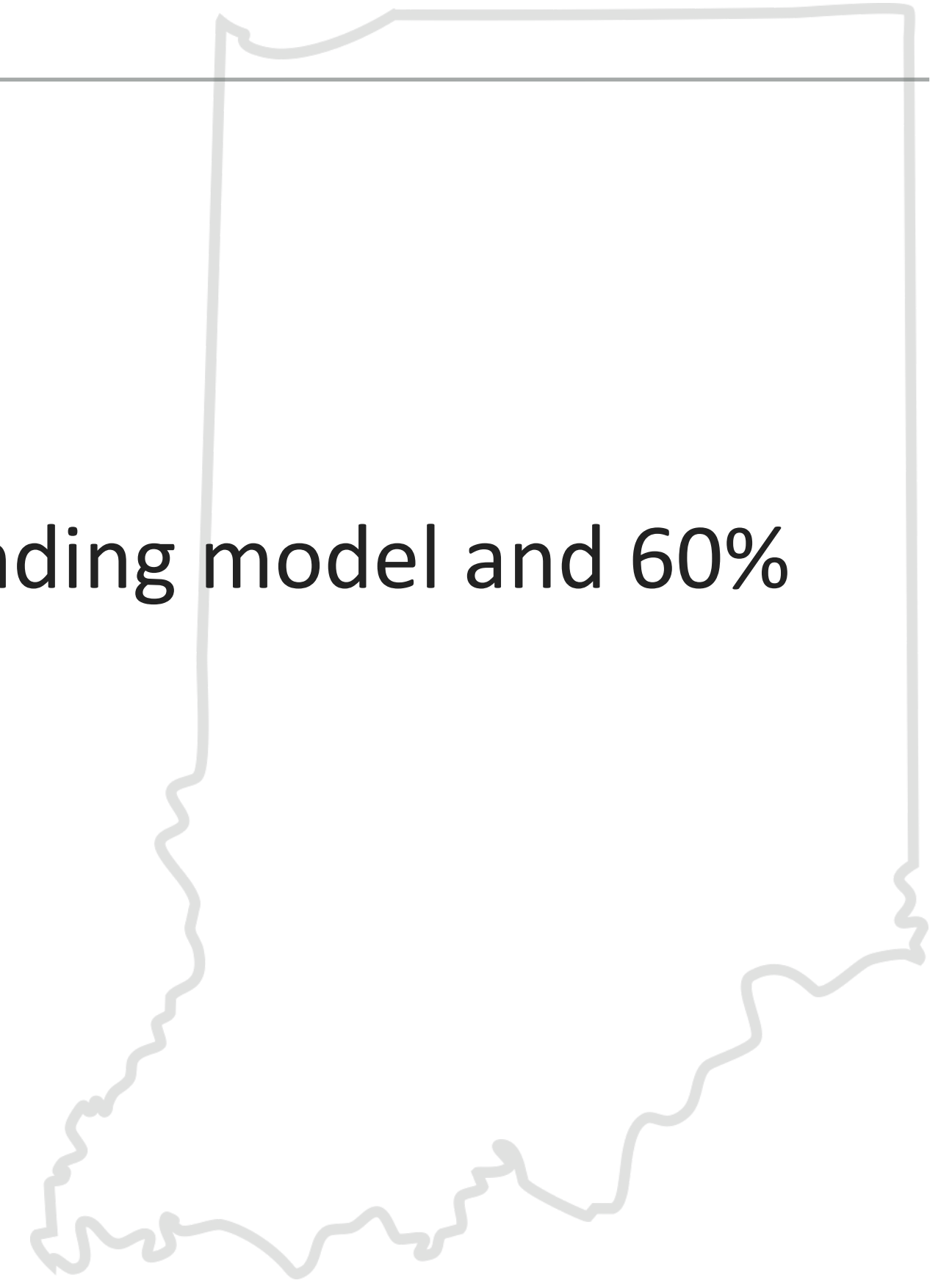
- Think in terms of Corporate and Operating Companies within a portfolio for goals and incentives

❖ Why?

- Rewards institutions for efforts made under the legacy model
- Incentivizes short-term, targeted growth using historic new investment in higher education
- Ensures new funding during times of slowed economic growth

DISCUSSION

- ▶ Indiana remains committed to performance, outcomes-based funding model and 60% postsecondary attainment





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