

# Outcomes Based Funding

## 2023 Budget Discussion

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Associate Commissioner and CFO

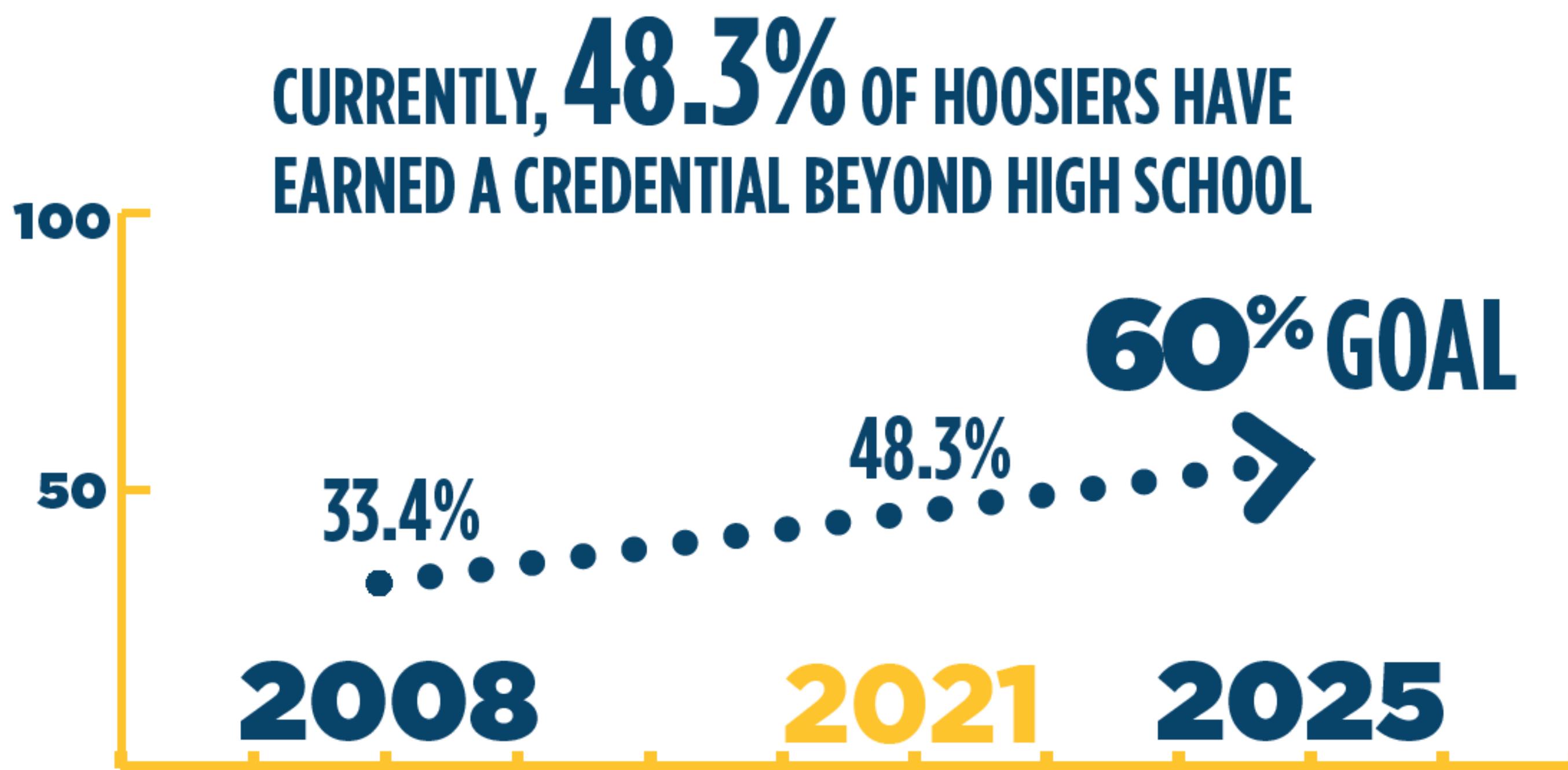
June 9, 2022

# IMPROVEMENT OF STUDENT OUTCOMES (2009 - 2019)

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



## “THE BIG GOAL” - 60% ATTAINMENT

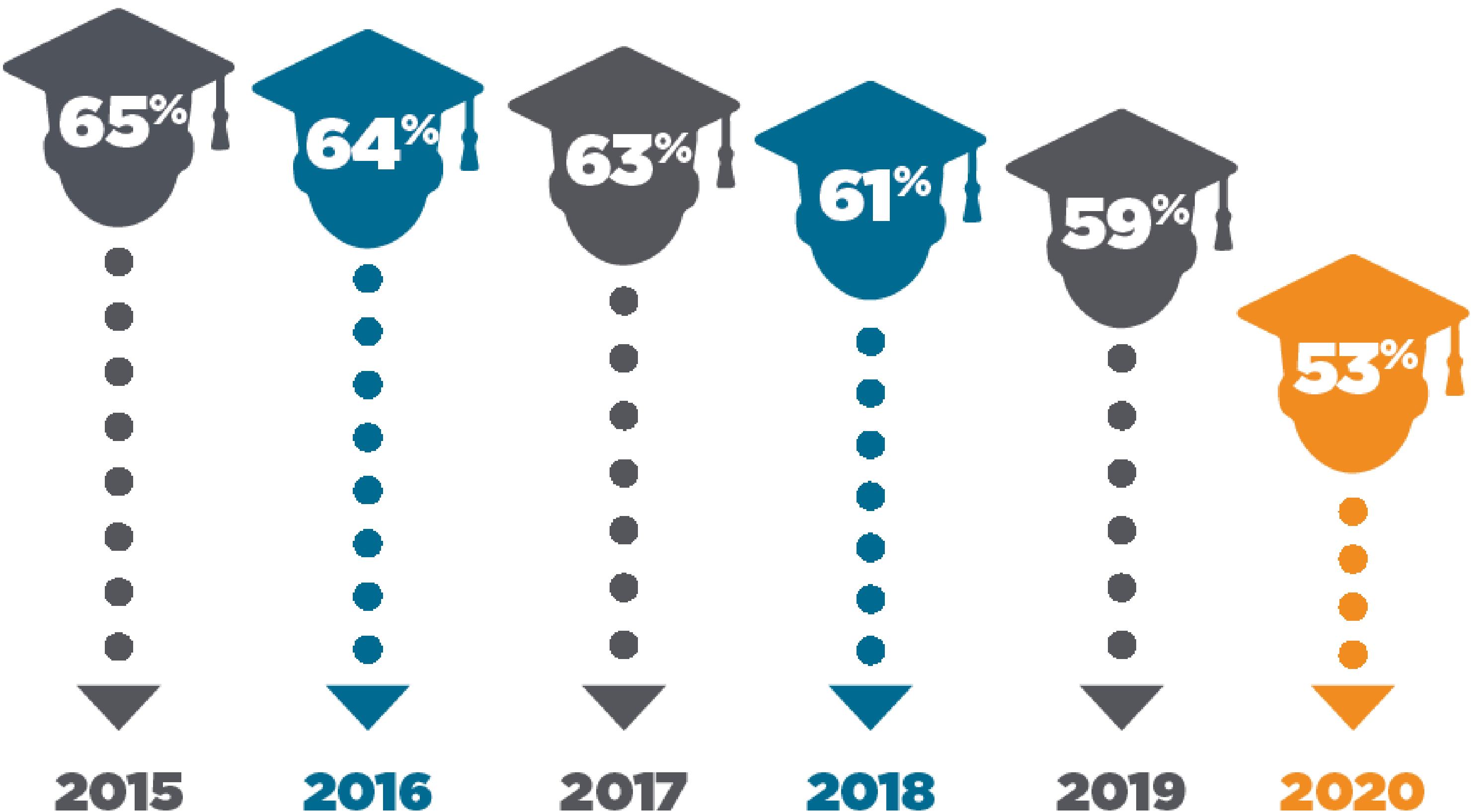


- ▶ 51.9% of the U.S. workforce has a certificate, certification or degree
- ▶ Indiana is 37<sup>th</sup> in the nation in educational attainment ([Lumina](#))
- ▶ 60% attainment requires:
  - ▶ Increasing the college-going rate
  - ▶ Growing the # of adults earning credentials
  - ▶ Retaining Indiana's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

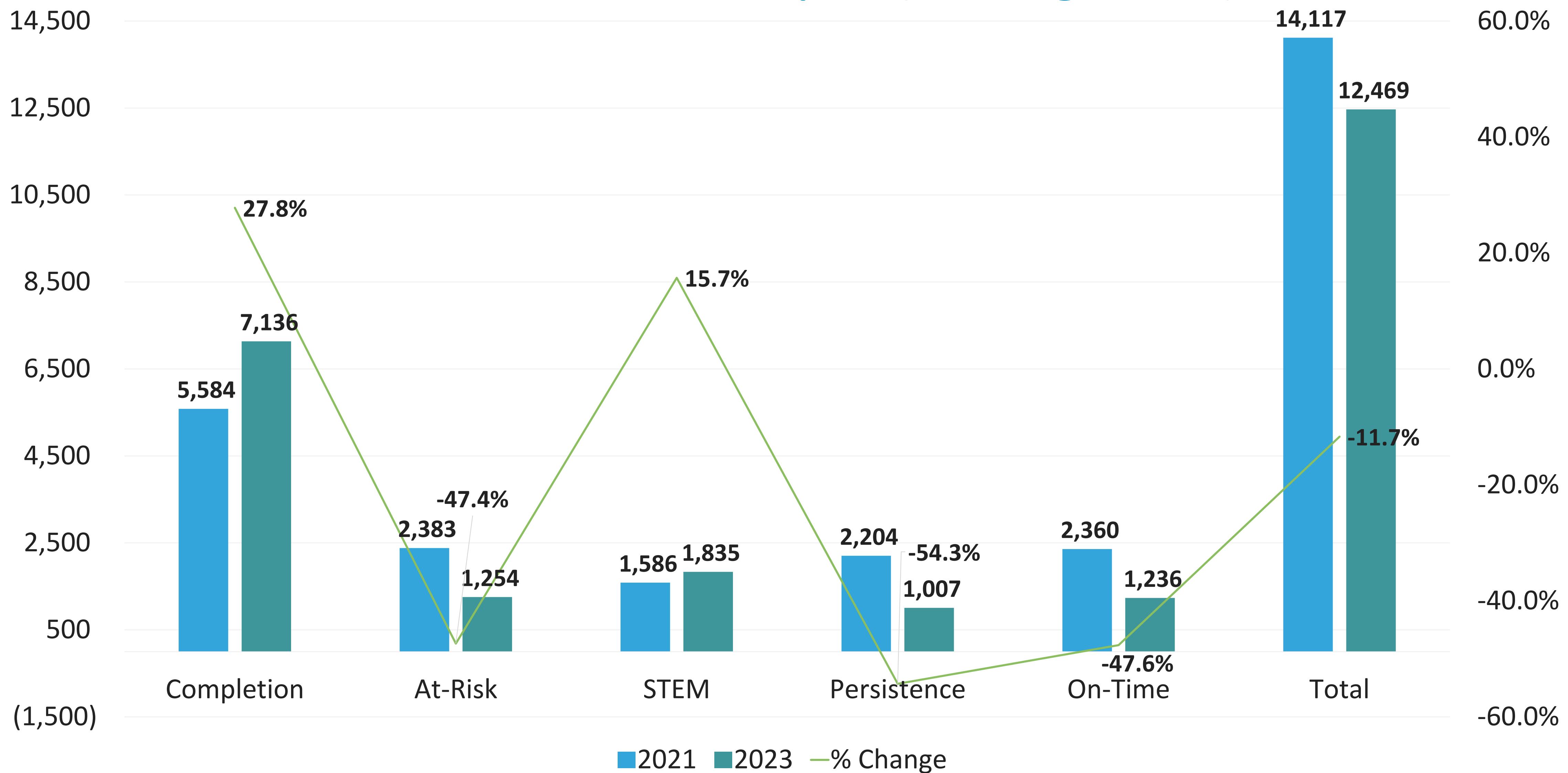
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# CHANGE IN UNITS (3-YEAR AVERAGE Δ)

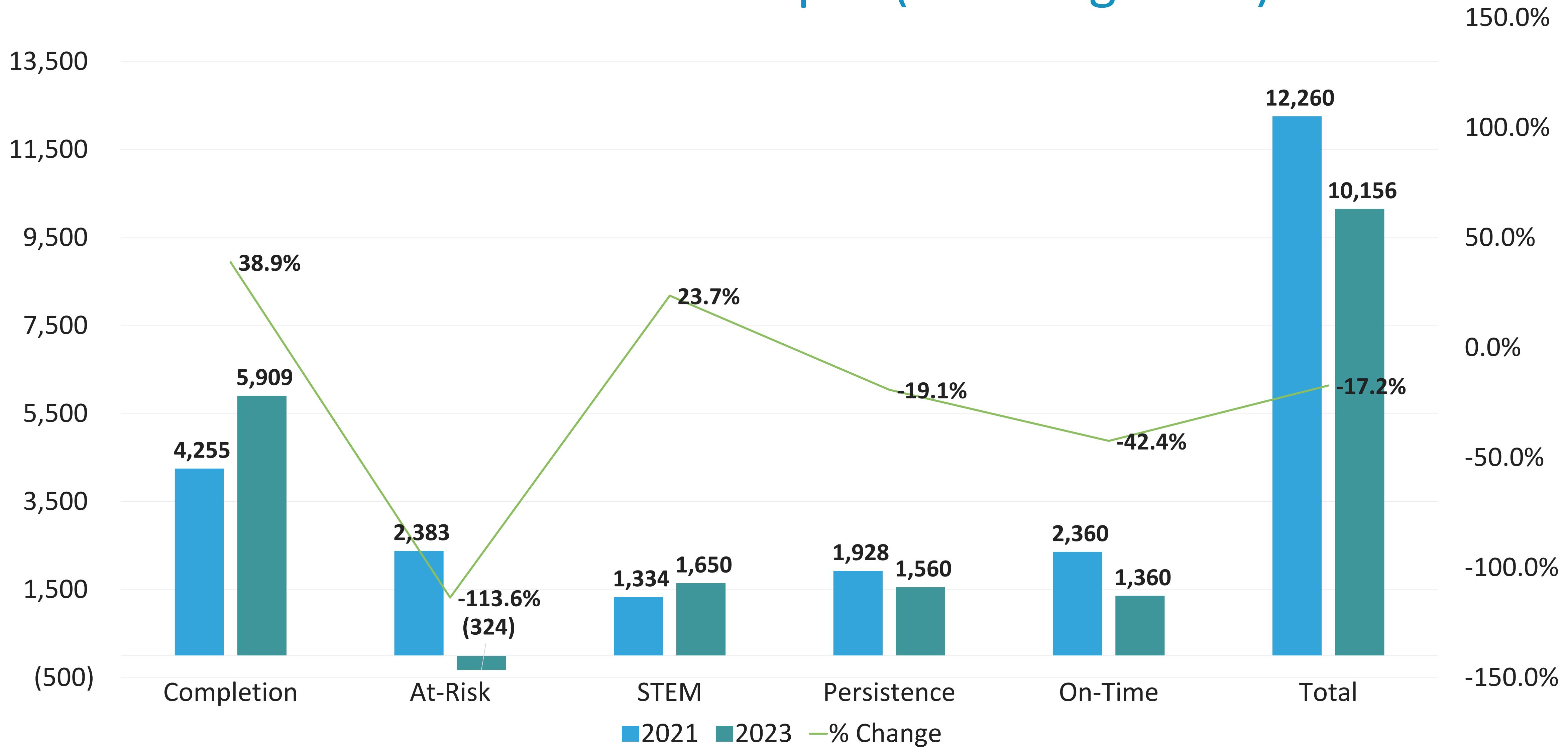


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# 2023 Net Units Output (no negatives)

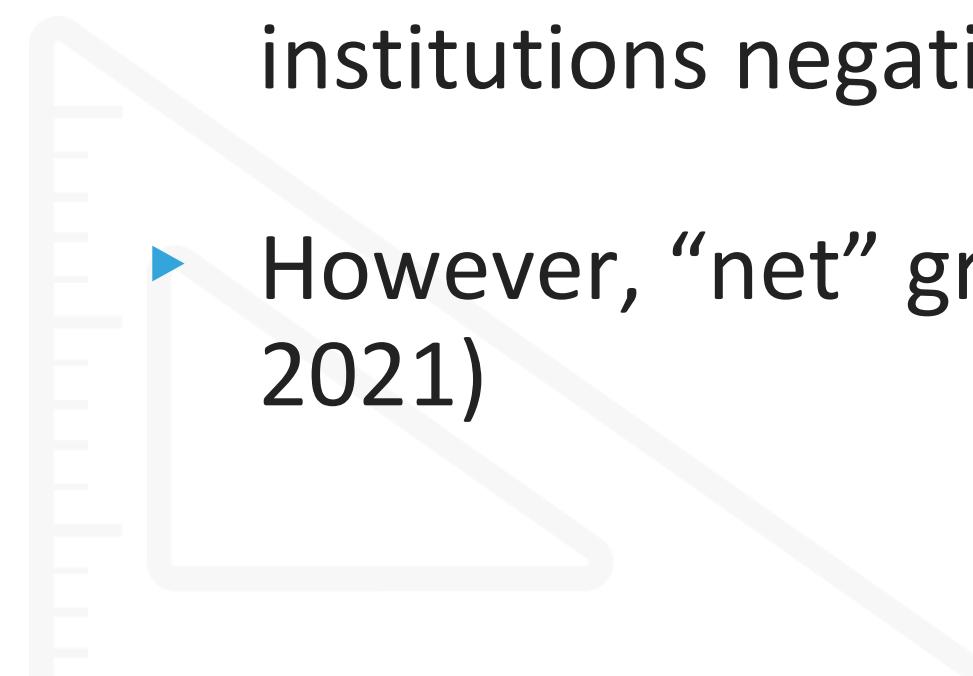


# 2023 Gross Units Output (with negatives)



# 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-than 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

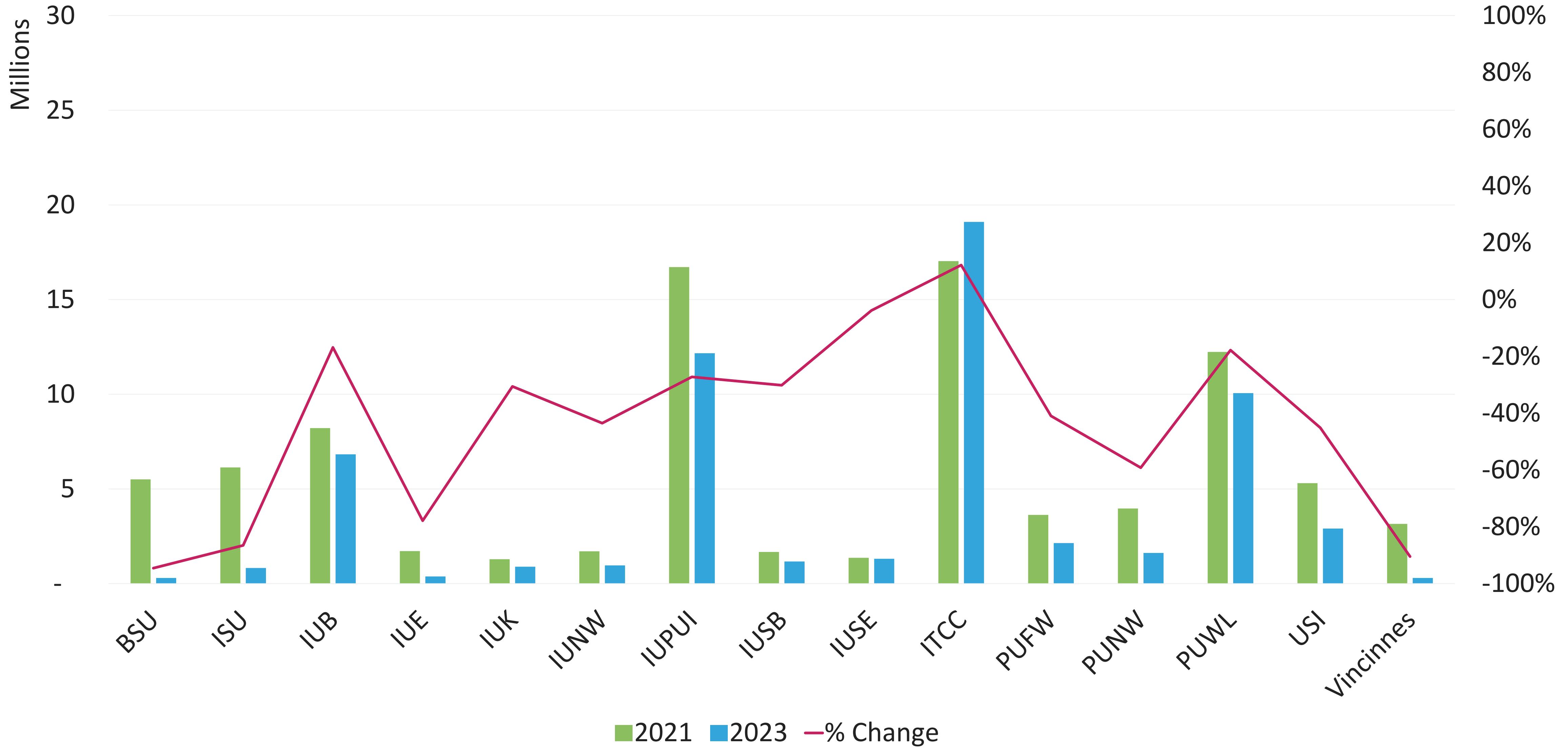
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# CHANGE IN GROSS FUNDING (IGNORES REALLOCATION)

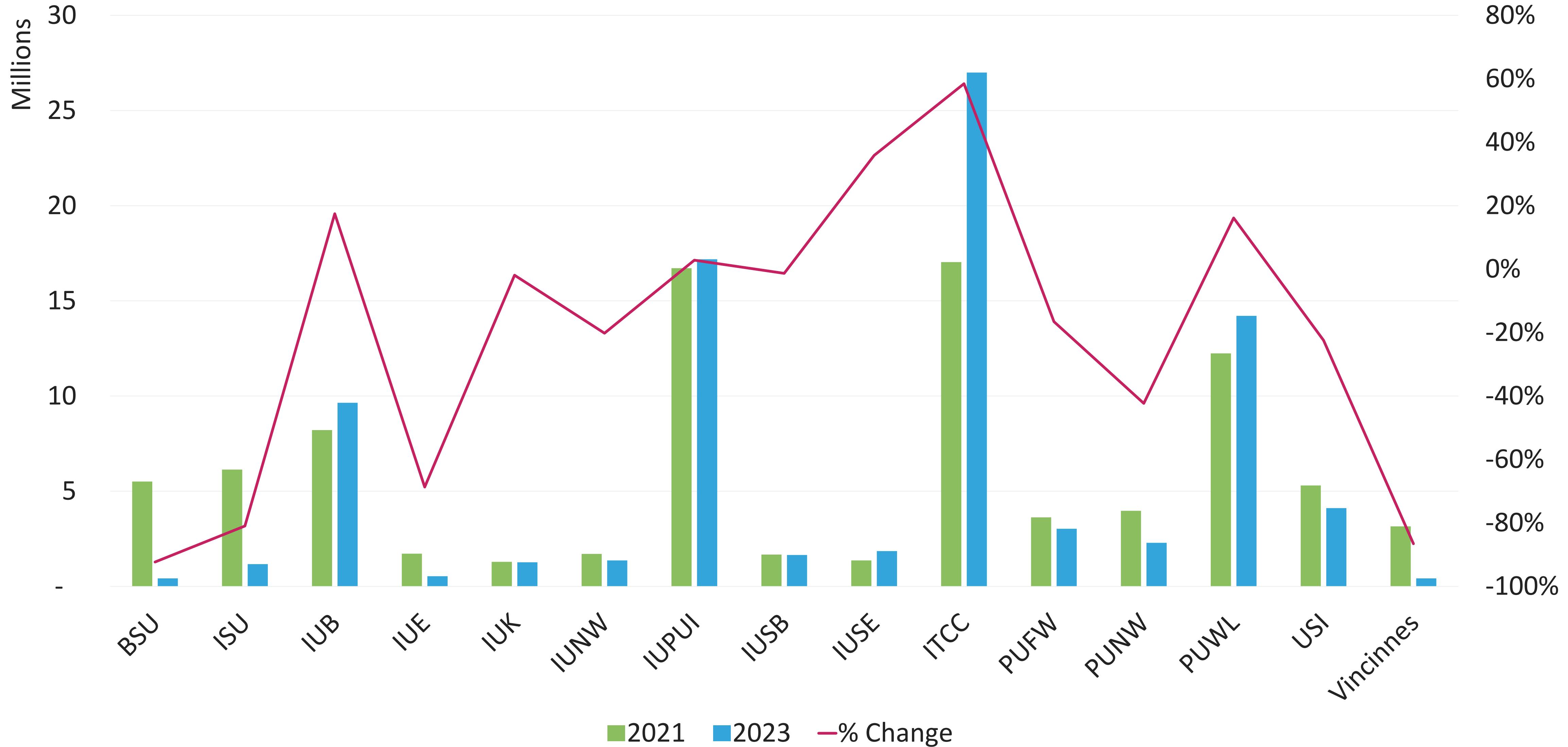


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# 2023 Funding Output



# 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

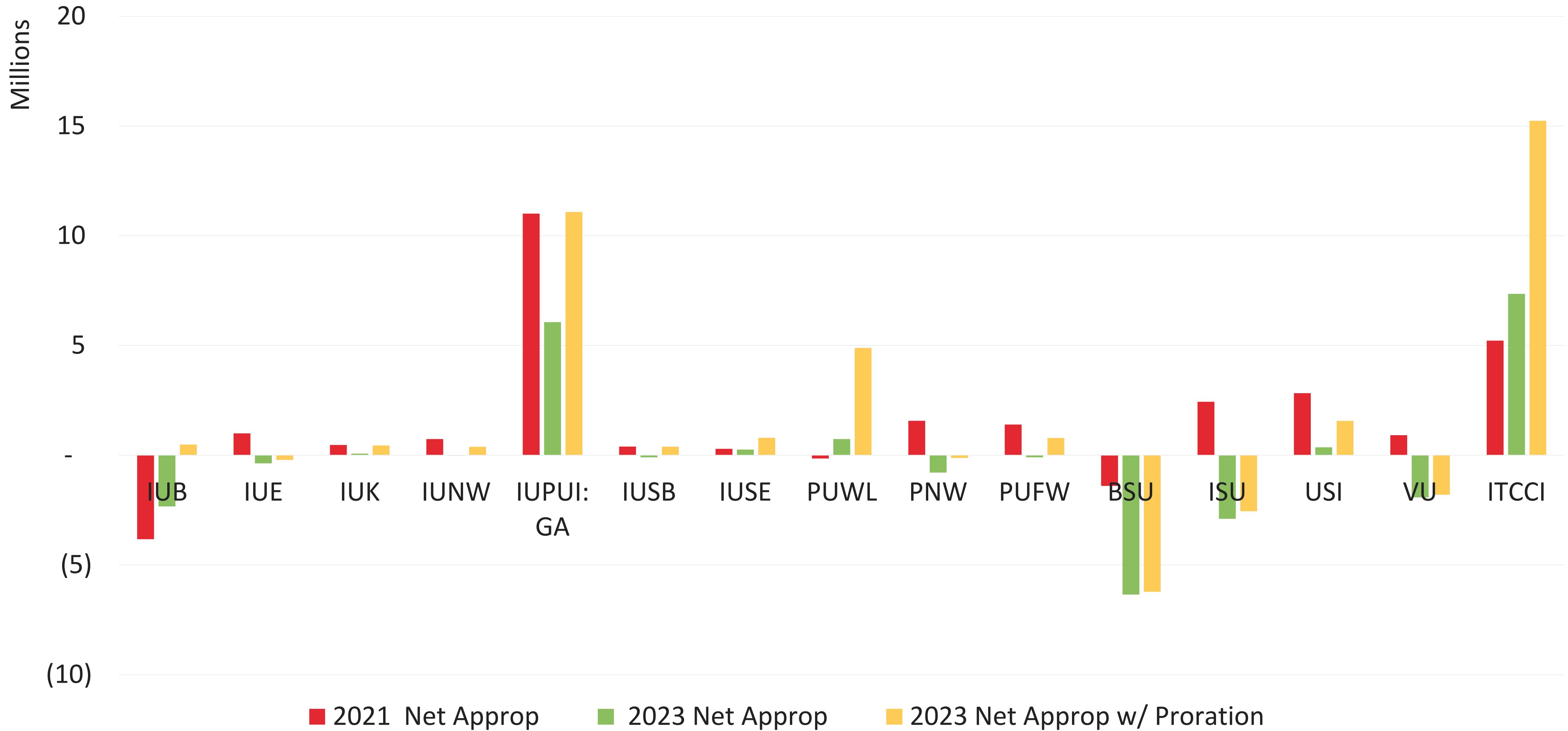
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# CHANGE IN NET FUNDING (5% REALLOCATION)



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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; 37<sup>th</sup> in the nation
- ▶ Declining college going rate, adult population and retention of graduates
- ▶ Falling behind in state funded support for higher ed ([SHEEO](#))
  - ▶ 10<sup>th</sup> **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

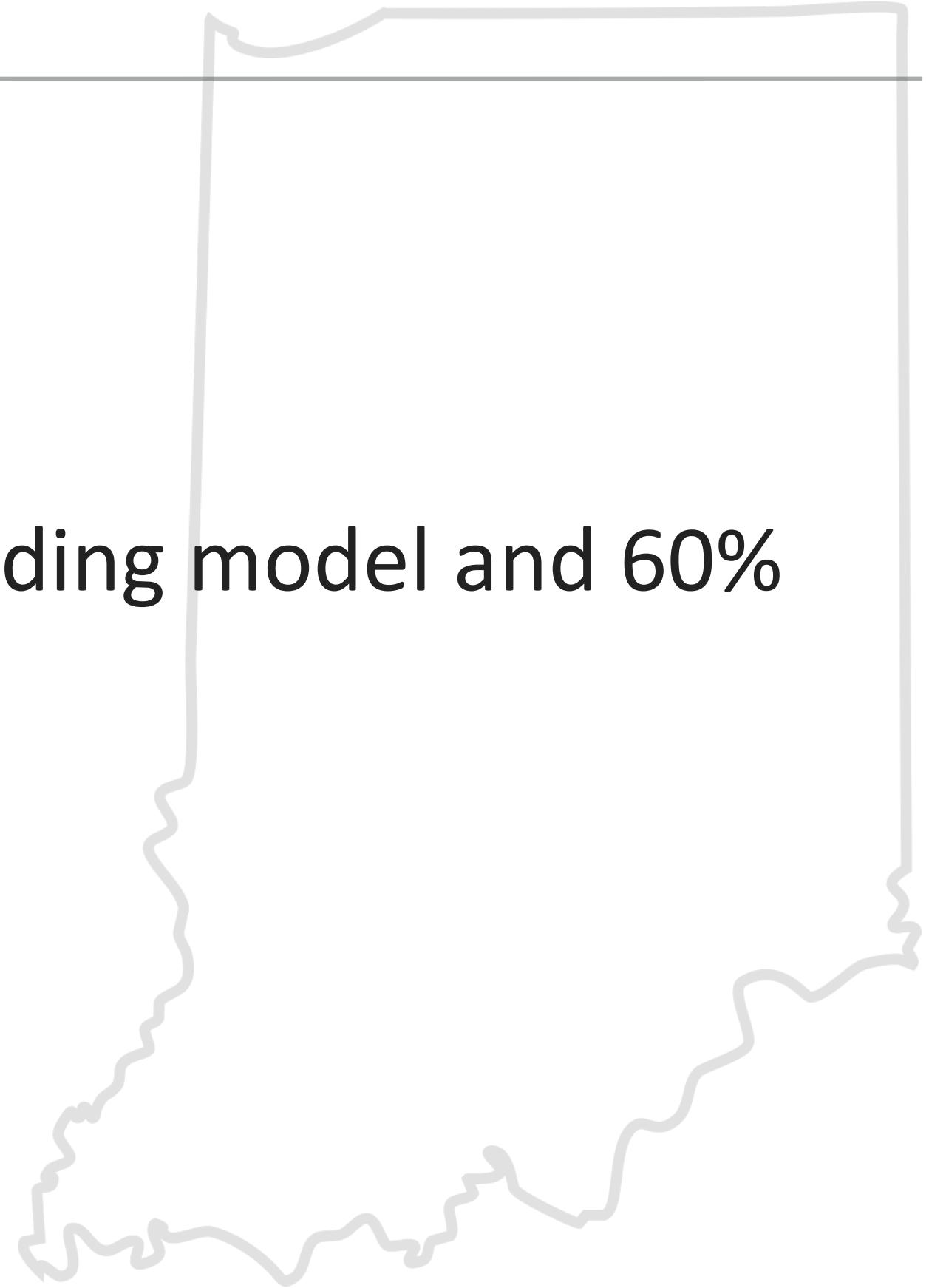
### ❖ Why?

- 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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