

Outcomes Based Performance Funding

2024 Student Advocates Conference

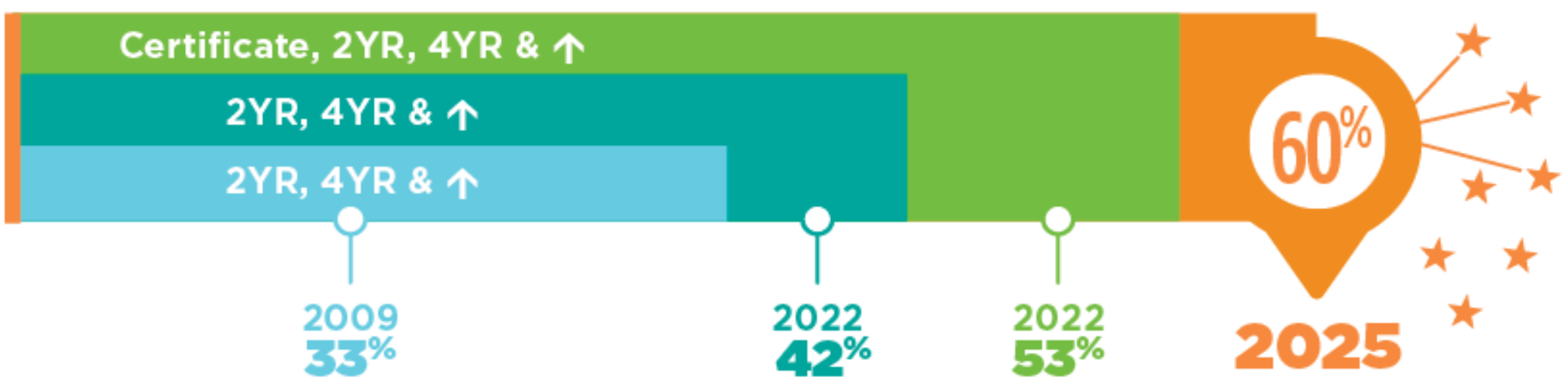
Seth Hinshaw, Sr. Assoc. Commissioner & CFO

December 5, 2024

INDIANA'S BIG GOAL

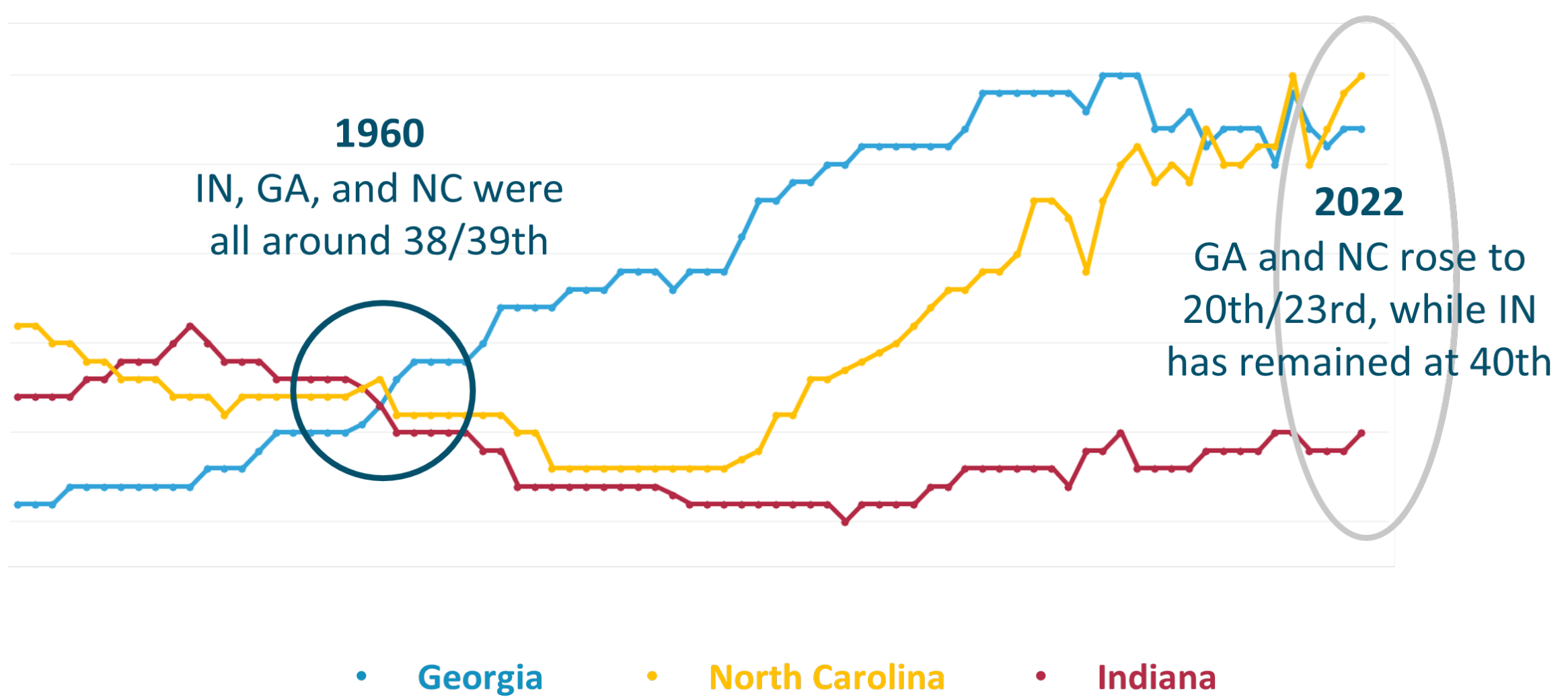
INDIANA'S BIG GOAL

60% OF HOOSIERS WILL HAVE A DEGREE OR CREDENTIAL BEYOND HIGH SCHOOL BY 2025



- ▶ **39th** in attainment of adults with associate degree or higher
- ▶ **5th** in sub-associate degree attainment
- ▶ **28th** in total higher education attainment

Bachelor's Degree or Higher Attainment Ranking



- ▶ In 1960, Indiana ranked **39th** in bachelor's degree attainment, and our most recent data, 2022, shows Indiana is **40th** in bachelor's degree attainment.

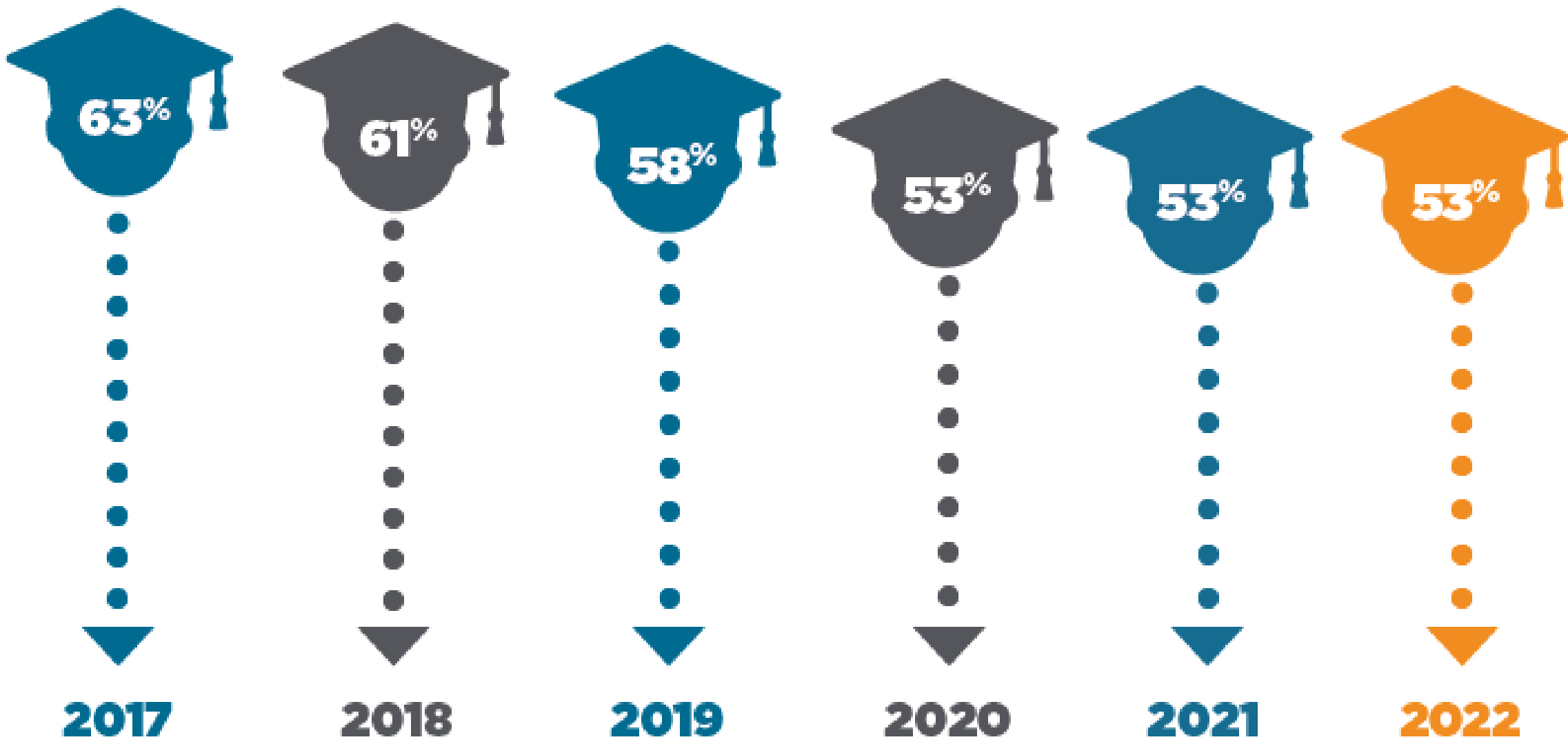


INDIANA’S COLLEGE-GOING RATE



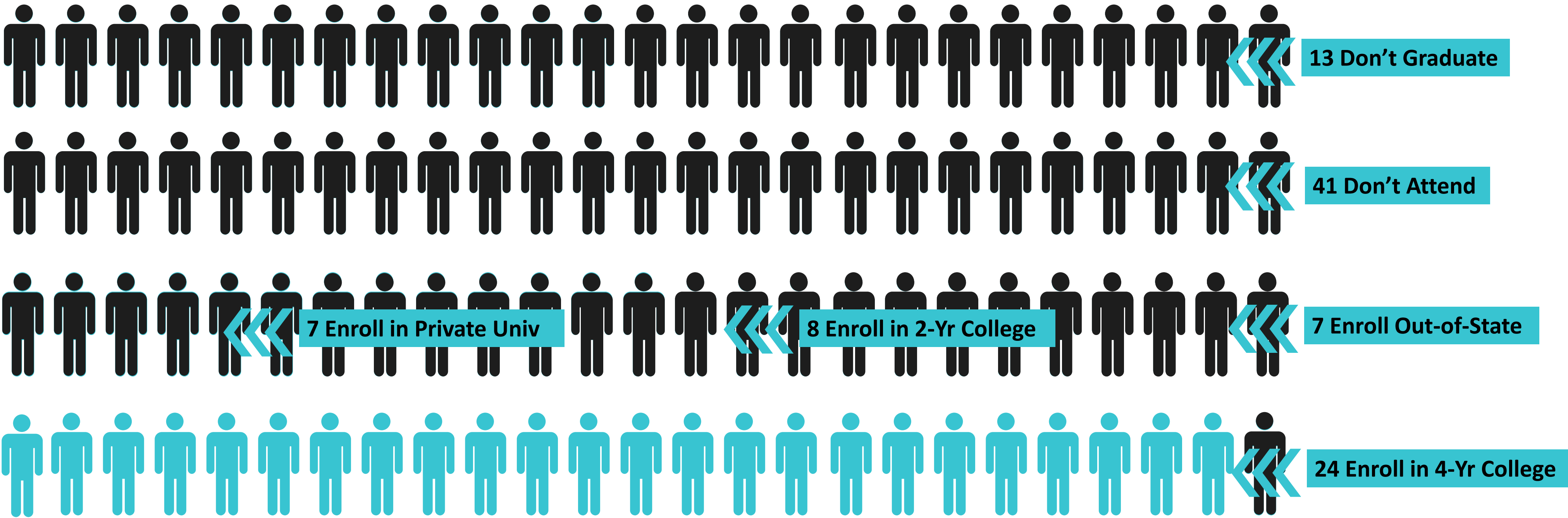
HIGH SCHOOLERS GOING STRAIGHT TO COLLEGE

Since 2020, Indiana’s college-going rate held steady at 53%.

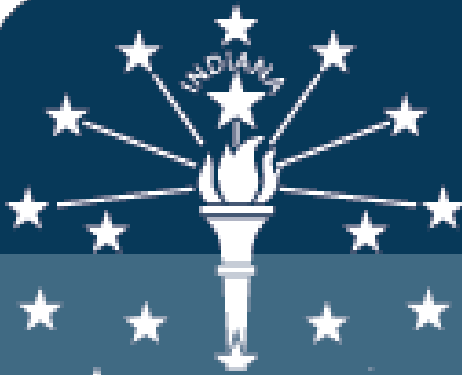


PUTTING IT IN PERSPECTIVE

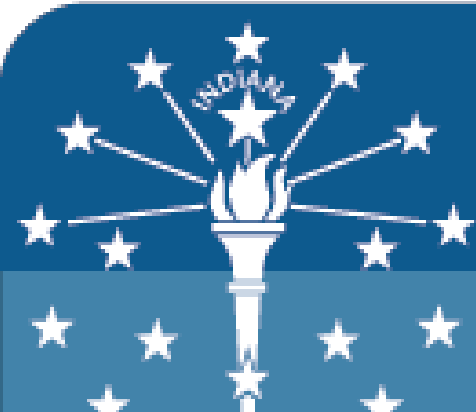
Out of 100 High School Freshman...



WHY IT MATTERS

<div>ECONOMIC METRICS <small>by</small> EDUCATION LEVEL</div> <div>11-07-24</div>				
EDUCATION LEVEL	INDIANA UNEMPLOYMENT RATE (2024)	INDIANA LABOR PARTICIPATION RATE (2024)	WAGES – MEDIAN INCOME (U.S.) (2022) (AGES 25+)	WAGES - AVERAGE NET WORTH (U.S.) (2022)
LESS THAN A HIGH SCHOOL DIPLOMA	9.5%	44.1%	\$37,240	\$175,627
HIGH SCHOOL DIPLOMA	3.2%	56.4%	\$46,640	\$413,275
SOME COLLEGE OR ASSOCIATE DEGREE	3.2%	65.9%	\$53,650	\$540,873
BACHELOR’S DEGREE + UP	1.9%	72.9%	\$83,570	\$1,929,335

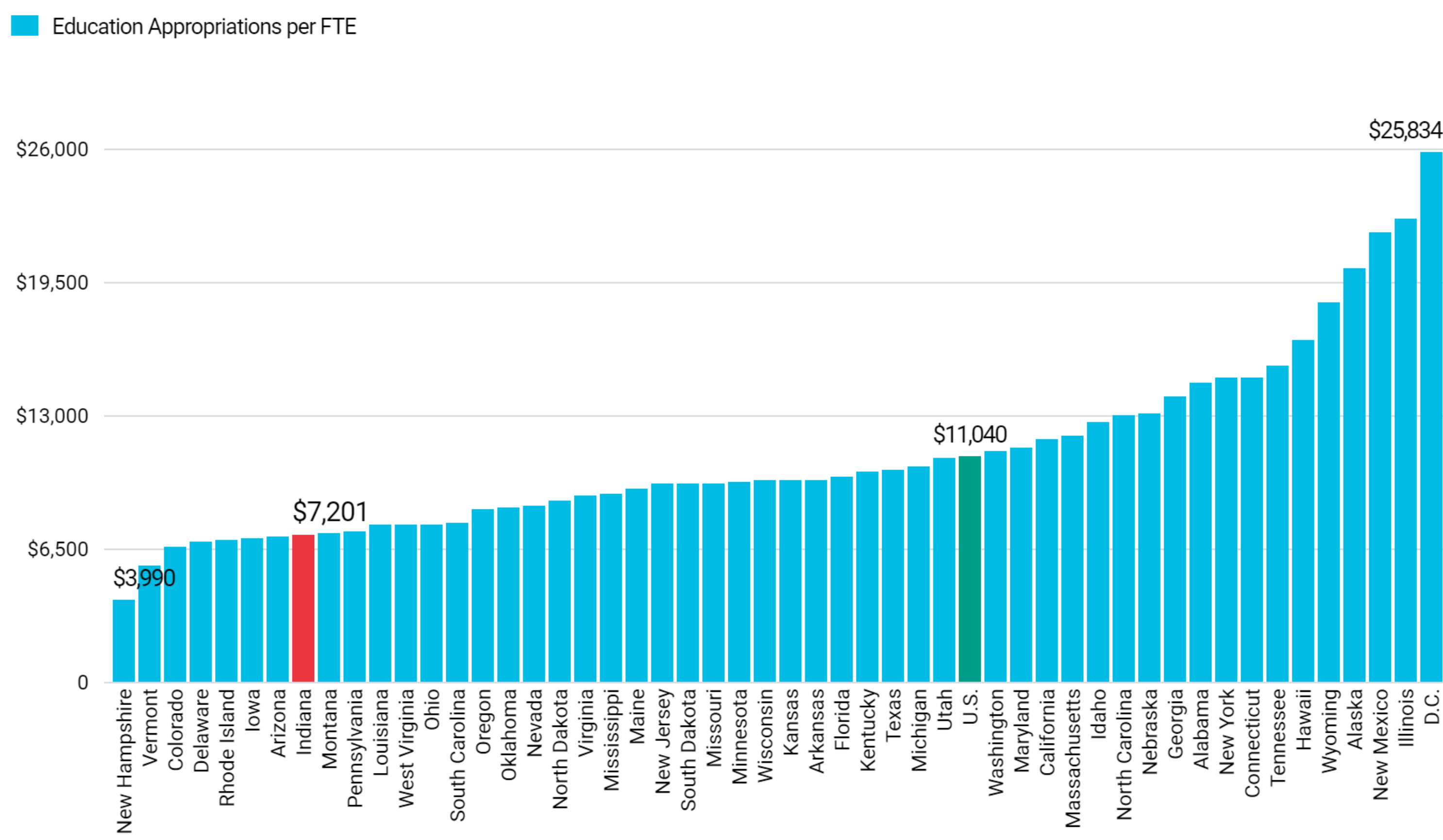
WHY IT MATTERS

SOCIAL METRICS <small>by</small> EDUCATION LEVEL				
11-07-24				
 EDUCATION LEVEL	INDIANA EDUCATIONAL ATTAINMENT (2022) (AGES 25+)	PERCENT OF WORKING- AGE ADULTS USING SNAP BENEFITS (U.S.) (2021)	INFANT MORTALITY (PER 1,000 BIRTHS) (U.S.) (2021)	LIFE EXPECTANCY (U.S.) (2005)
LESS THAN A HIGH SCHOOL DIPLOMA	10%	21%	11.7	72 years
HIGH SCHOOL DIPLOMA	32%	15%	7.0	79 years
SOME COLLEGE OR ASSOCIATE DEGREE	29%	11%	6.6	80 years
BACHELOR'S DEGREE + UP	30%	2%	4.1	85 years

FUNDING PICTURE

- ▶ Ranked **6th** in the nation for holding down tuition for the last decade (4 year)
- ▶ Ranked **43rd** in the nation for state support per FTE
- ▶ Students pay the **5th** highest share of educational costs in the nation

Public Higher Education Appropriations per FTE by State, FY 2023 (Adjusted)



2024 STUDENT ADVOCATES CONFERENCE

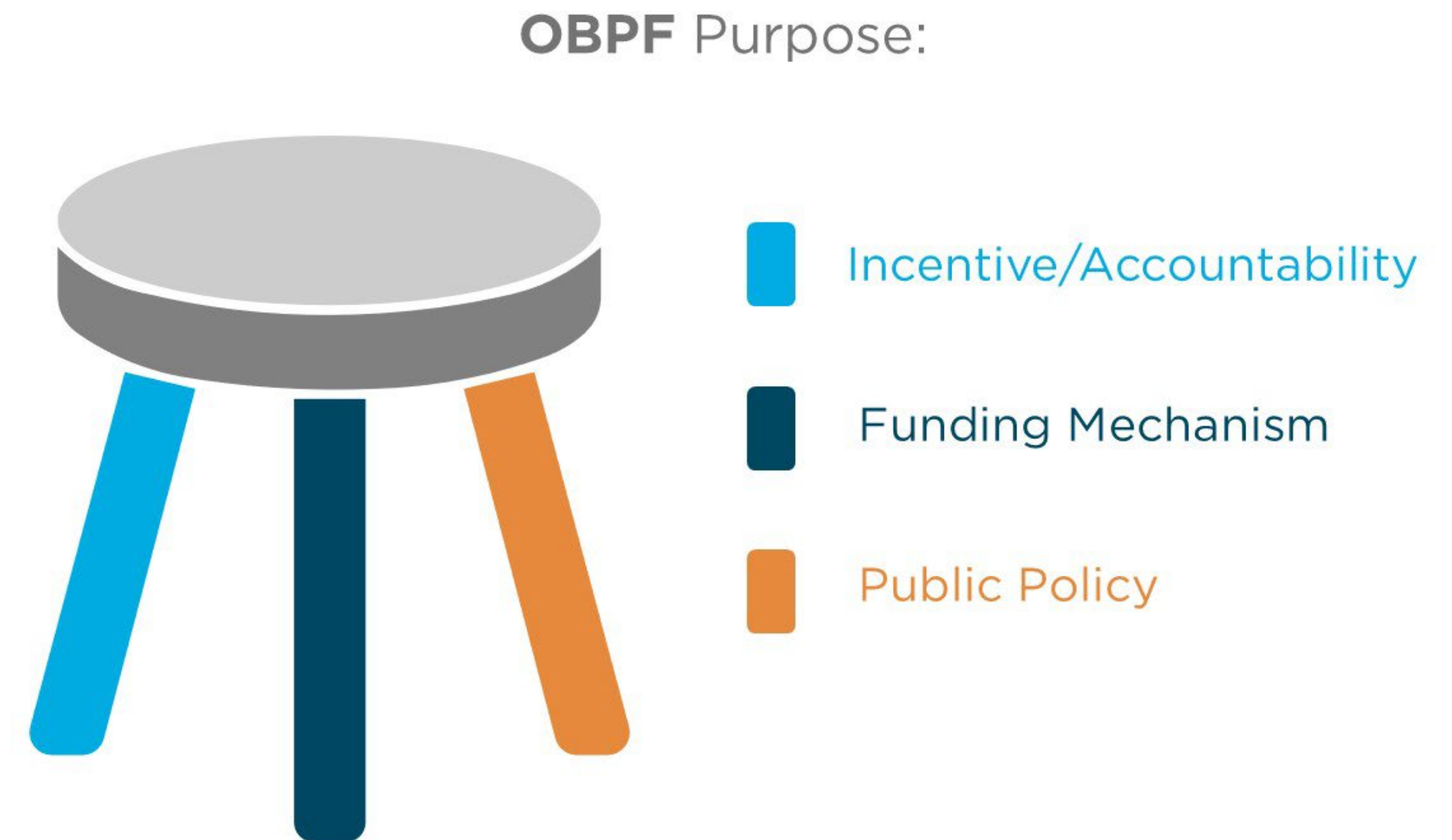
OBPF PURPOSE



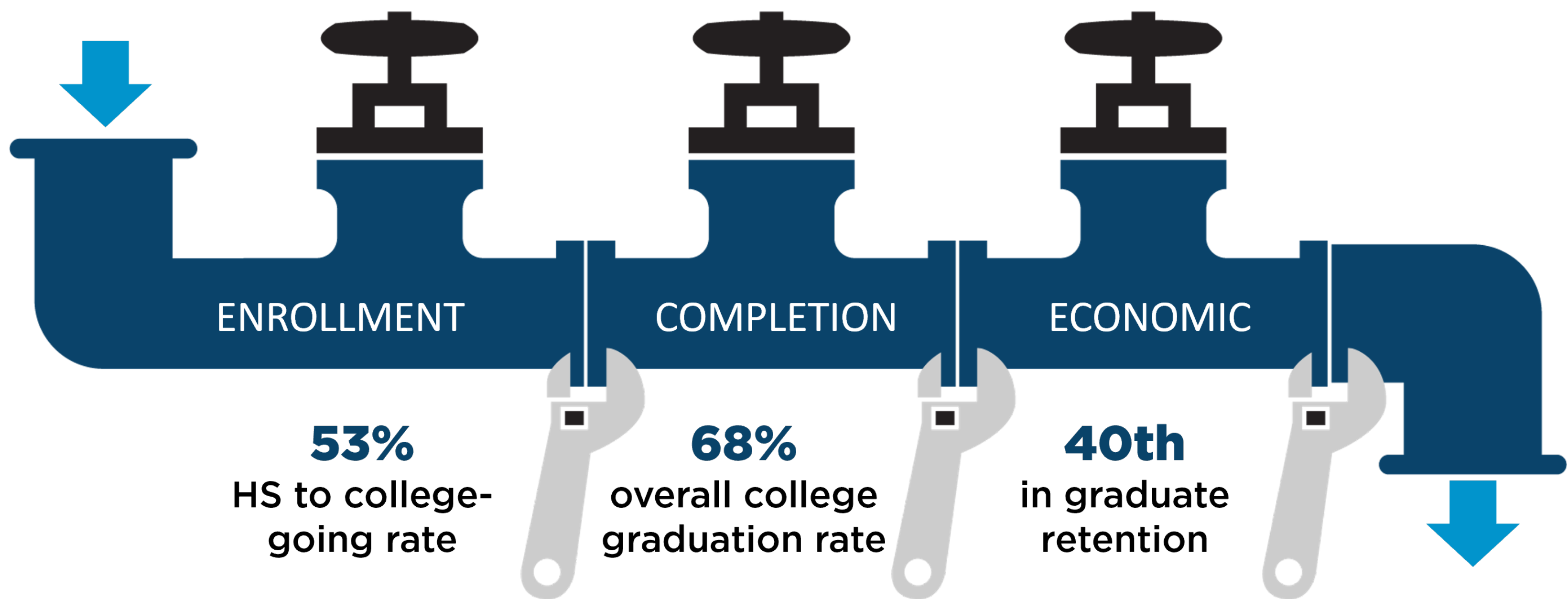
INDIANA COMMISSION *for*
HIGHER EDUCATION

OBPF PURPOSE

- ▶ Three-legged stool (a tool)
 - ▶ Incentive & Accountability (Improvement/stretch)
 - ▶ Investment (attainable)
 - ▶ Policy (board room narrative)
- ▶ HOPE Agenda Aligned
 - ▶ Enrollment (37th for youth & 11th for adults)
 - ▶ Completion (10th in 6-year completion)
 - ▶ Retention (40th in retention)



TALENT PIPELINE



ENROLLMENT	COMPLETION	ECONOMIC
<ul style="list-style-type: none">• GOING-RATE• ADULT	<ul style="list-style-type: none">• ON-TIME (48%)• OVERALL• ADULT• LOW-INCOME	<ul style="list-style-type: none">• GRADUATE RETENTION• RESEARCH

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PERFORMANCE HISTORY



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HIGHER EDUCATION

TWENTY YEARS OF MEASUREMENT

- ▶ Began in early 2000s
 - ▶ No legislative mandate
 - ▶ Enrollment growth focus
 - ▶ Inflation adjustment
 - ▶ Research funding for “stable” campuses
- ▶ Transition to (then) new model began in 2007-09 biennium.
 - ▶ New focus on **completion** and **on-time completion**

2003	2005	2007	2009	2011	2013	2015	2017	2019
Enrollment Change (credit hours enrolled)	Enrollment Change (credit hours enrolled)	Enrollment Change (credit hours enrolled)	Enrollment Change (successfully completed credit hours)	Enrollment Change (successfully completed credit hours)				
Inflation Adjustments	Inflation Adjustments	Inflation Adjustments		Enrollment Change Dual Credit (successfully completed credit hours)				
					Student Persistence Incentive	Student Persistence Incentive	Student Persistence Incentive	Student Persistence Incentive
					Remediation Success Incentive	Remediation Success Incentive	Remediation Success Incentive	
Equity Adjustment	Equity Adjustment	Equity Adjustment						
Plant Expansion/Leases								
Research Support Incentive	Research Support Incentive	Research Support Incentive	Research Support Incentive	Research Support Incentive				
		Change in Number of Degrees	Change in Number of Degrees	Change in Number of Degrees	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates
			Low-Income Degree Completion	Low-Income Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion
					High-Impact Degree Completion	High-Impact Degree Completion	High-Impact Degree Completion	STEM Degree Completion <small>(in Science, Technology, Engineering, Math)</small>
		Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate
					Institution Defined Productivity Metric	Institution Defined Productivity Metric		
		Two-Year Transfer Incentive	Two-Year Transfer Incentive					
			Workforce Development Incentive (funding non-credit coursework)					

LEGACY METRICS (2007-2021)

- ▶ Metrics (completion only)
 - ▶ On-time completion
 - ▶ Overall completion
 - ▶ At-risk (low-income) completion
 - ▶ STEM completion
 - ▶ Persistence
- ▶ Resident students only

LEGACY FORMULA

- ▶ Measure change between two three-year averages
 - ▶ $\text{AVERAGE}(\text{FY23}, 22, 21) - \text{AVERAGE}(\text{FY20}, 19, 18)$
- ▶ Funding lagged data by at least 3-4 years
 - ▶ FY26 and FY27 appropriation would use FY18-23 data.
- ▶ Single funding pool for all institutions
 - ▶ Improvement may not result in new funding

LEGACY FUNDING

- ▶ Began during Great Recession
 - ▶ No new state support in 2009-2011 & 2011-2013 biennia
 - ▶ Reallocated “base” funding
- ▶ Reallocation became the rule, not the exception
 - ▶ FY2010 – 5.1% reallocation
 - ▶ FY2023 – 5.0% reallocation

LEGACY PROS & CONS

▶ Pros

- ▶ Funding certainty (both up and down)
- ▶ Data smoothing (3-year average)

▶ Cons

- ▶ Zero sum game (FY23 = -2% to +10% funding swing)
- ▶ Data lag
- ▶ Mission differentiation

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RECENT HISTORY



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LEGISLATIVE INTERVENTION

- ▶ 2021 Budget Bill – Senate version includes study of OBPF
- ▶ 2021 interim summer study – recommendations
 - ▶ Codify OBPF
 - ▶ Use more recent data
 - ▶ Mission differentiation
 - ▶ Measure institution against itself

LEGISLATIVE INTERVENTION

- ▶ Senate Enrolled Act 366 - 2022
 - ▶ Codified CHE's responsibility to develop funding formula
 - ▶ Additional legislative review
 - ▶ Formula, methodology, and metrics
 - ▶ Commission approval (vote) by October 1
- ▶ House Enrolled Act 1001 – 2023
 - ▶ Separate Ivy Tech funding formula
 - ▶ Employer needs, positive wage outcomes, and stackable credentials

2022-2023 DEVELOPMENT

- ▶ Considerable feedback from
 - ▶ Commission members
 - ▶ Legislators
 - ▶ University staff
 - ▶ Business leaders
 - ▶ Other stakeholders and partners

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NEW FUNDING FORMULA



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NEW FORMULA

- ▶ Legislative Recommendations:

1. Unique/separating goals and funding for each institution

- ▶ Comparing against itself

2. Reduced data lag

- ▶ FY26 funding based on FY24 metrics

3. Mission Differentiation

- ▶ Separate weighting by institution type

HOW WE MEASURE

- ▶ Utilize each institution's past performance (trend) to set improvement goals (target)
- ▶ Annually measure output against goals
 - ▶ Fully awards funds for reaching/exceeding goal
 - ▶ Partially awards funds for making progress toward goal
- ▶ Funding earned in the first year creates a funding floor for the second year
 - ▶ 2022-2023 = Base Year
 - ▶ 2023-2024 = FY26
 - ▶ 2024-2025 = FY27

METRICS – WHAT WE MEASURE

ENROLLMENT

- ▶ Low-income youth enrollment
- ▶ Adult enrollment

COMPLETION

- ▶ Overall completion
- ▶ On-time completion
- ▶ Low-income completion
- ▶ Adult completion
- ▶ STEM completion

GRADUATE RETENTION

- ▶ Graduate retention
- ▶ Research expenditures

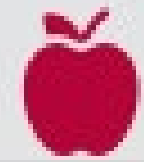
COMPLETIONS

- ▶ “Access without completion is a false promise.”
- ▶ Indiana ranks 10th in the nation for extended-time completion of first-time, full-time students pursuing an associate or bachelor’s degree
 - ▶ 15 percentage point increase from 2012 (53% to 68%)
 - ▶ 20 percentage point increase for on-time completion in same period (28% to 48%)
- ▶ Due to declining going-rate, overall completions are declining

EXTENDED-TIME COMPLETION

Any campus or degree level within six years

80%



FOUR-YEAR MAIN CAMPUS

73%



ALL FOUR-YEAR CAMPUSES

68%

INDIANA STATEWIDE



56%

FOUR-YEAR
NON-MAIN CAMPUS

46%

TWO-YEAR CAMPUS

FUNDING

- ▶ **No reallocation**
- ▶ Second year funding may be no less than first year
 - ▶ Creates operating certainty
- ▶ Funding earned is added to base in next budget
 - ▶ FY25 Base = 100, funding earned = 2, FY26 & 27 base = 102
- ▶ Unearned funding annually reverts to the state

FY 25 FUNDING OUTPUT

- ▶ \$16.7M of \$22.6M earned, or 74%
- ▶ Seek statutory amendment to IC 21-18-16 allowing for competitive student success grant
 - ▶ Funded by unearned performance funding monies
 - ▶ One-time money, not base building
 - ▶ Must support efforts to improve completion for 21st Century Scholars or other low-income and first-generation students

NEW FORMULA

▶ Pros:

- ▶ Legislative support
- ▶ No state funding reductions, incentivizes collaboration
- ▶ Funds improvement over growth

▶ Cons:

- ▶ New funding uncertainty
- ▶ Reversion of unearned funding
- ▶ Smaller pool of overall incentive funding

The background of the slide features a large, faint, circular seal of the State of Indiana. The seal contains the text "SEAL OF THE STATE OF INDIANA" around the top and "1816" at the bottom. In the center of the seal is a landscape with a rising sun, a river, and a person on horseback.

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