



Performance Formula: History and Mechanics

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Indiana Budget Overview

- Biennial Budget
 - Budget season January through May even years
- Institutions for Higher Education submit budget request to Commission – August odd year
- Commission makes funding recommendation for all of higher education – December odd year
- Governor makes overall budget recommendation – January even year
- General Assembly vote on overall budget
- No line item or amendatory veto authority by Governor



Performance Funding Formula

- Prior to Performance Funding, funding based mostly on enrollment change, new academic programs and equity adjustments.
- Established in 2003 with Research Incentive
 - Grown to 7 metrics used to provide performance funding to institutions
- No statutory requirement for performance funding formula or allocation, all based on Commission policy and strategic plan
- Financial impact on base operating funding varies depending on formula allocation and new funds



Evolution of CHE Performance Formula Metrics

2001	2003	2005	2007	2009	2011	2013
Enrollment Change (credit hours enrolled)	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)	
					Enrollment Change Dual Credit (successfully completed credit hours)	
Inflation Adjustments	Inflation Adjustments	Inflation Adjustments	Inflation Adjustments			Student Persistence Incentive
						Remediation Success Incentive
Equity Adjustment	Equity Adjustment	Equity Adjustment	Equity Adjustment			
Plant Expansion/leases	Plant Expansion/leases					
Program Adjustment						
	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
				Low Income Degree Completion Incentive	Low Income Degree Completion	At-Risk Student Degree Completion
						High Impact Degree Completion
			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
			Two Year Transfer Incentive	Two Year Transfer Incentive		
				Workforce Development Incentive (funding non-credit coursework)		

Text in red denotes the new performance formula metrics

Funding the Performance Formula 2011-13

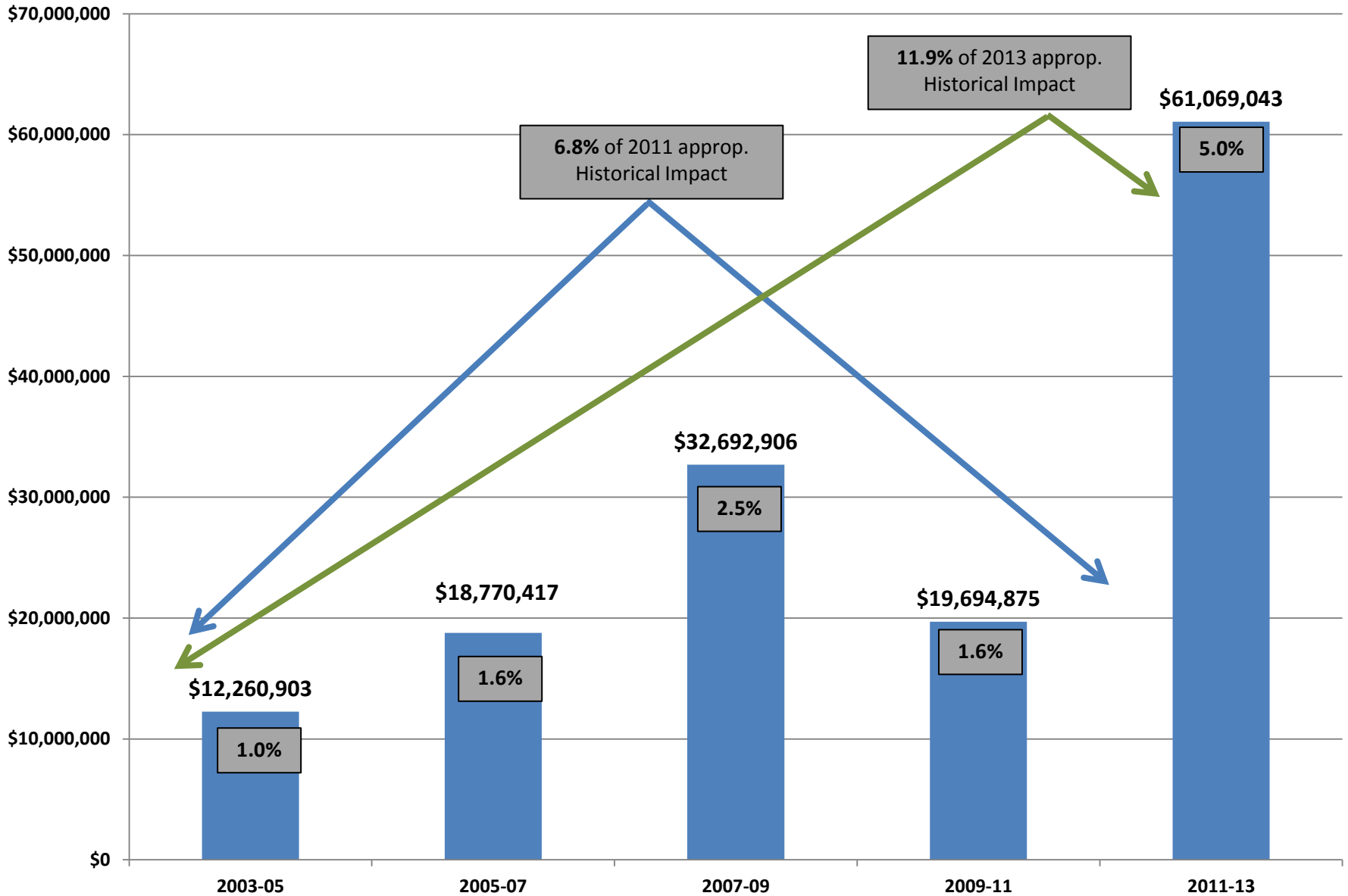
- Across the Board reduction to operating budgets for each institution of 5% to fund the formula - \$61.4 million
- Performance Funding Formula allocated the \$61.4 million to institutions that performed well in the funding formula
- Allocation of performance funding is based on:
 - Weighting each performance metric based on Commission distribution
 - Funding performance metrics with positive results, did not penalize institutions with negative performance metrics
 - ATB reductions and negative formula results would be a double hit to some institutions

Financial Impact of Performance Funding Formula

- Provides for 5% of the 2011 operating budget to be used towards Performance Formula Funding
 - \$61.4 million for each year of the biennium
 - Total 2013 operating budget \$1,215.0 million
- Highest biennial funding of Performance Funding Formula since inception – 2003
 - 2003-05 Biennium - \$12.3 million – 1.0% of total ops budget
 - 2005-07 Biennium - \$18.8 million – 1.6% of total ops budget
 - 2007-09 Biennium - \$32.7 million – 2.5% of total ops budget
 - 2009-11 Biennium - \$19.7 million – 1.6% of total ops budget
 - **2011-13 Biennium - \$61.4 million – 5.1% of total ops budget**



History of Performance Funding for Higher Education





Current Performance Metrics

- Performance Metrics used in the 2011-13 higher education budget:
 - Overall degree completion
 - Low Income Student degree completion
 - Successful Completion of Credit Hours
 - Successful Completion of Dual Credit Hours
 - Change in On-time Graduation Rate
 - Research Incentive
 - All metrics used data for resident undergraduate students, associate and bachelor degrees only, Dual Credit used resident high school students



Legislative Mandate

- In House Enrolled Act 1001 – 2011, CHE was required to review and revise metrics in the performance formula:
 - *Indiana CHE 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*



Steps to Revise Performance Metrics

- During July and August of 2011 CHE meet with each University President individually to discuss potential changes to the performance metrics and other thoughts regarding higher education funding.
- Starting in July of 2011, CHE began working with HCM (external consultant) to provide comparative analysis of other states employing performance funding for higher education
- From July through September 2011, HCM gathered and compiled performance metric data from multiple states, including Ohio, Tennessee, Pennsylvania and Washington
- HCM provided in the report details regarding each state's performance formula, metrics used by each state and suggestions to Indiana regarding changes to the current performance metrics

Steps to Revise Performance Metrics

- In September of 2011, CHE convened a large meeting with public institution's Chief Financial Officers, CHE staff and Commission members to discuss the performance formula
- Indiana participated in two events where several states noted in the HCM report were invited to collaborative sessions to discussion performance formulas

Final Development of Revised Metrics

- CHE staff and select Commission members began in October of 2011 developing and defining the new performance formula metrics
- Using the feedback from the public institutions, the HCM report, other state's performance formulas and internal discussions; CHE focused on three areas to develop performance metrics for 2013-15:
 - Completion
 - Progression
 - Productivity



Revised Metrics for 2013-15

- **Completion**
 - Overall Degree Completion
 - At-Risk Student Degree Completion
 - High Impact Degree Completion
- **Progression**
 - Student Persistence Incentive
 - Remediation Success Incentive
- **Productivity**
 - On-Time Graduation Rate
 - Institutional Defined Productivity Metric



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.



Progression 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.
- **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 english.



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.



Participation in Revised Metrics

	Research Institutions	4 Year Non-Research Institutions	2 Year Institutions
Overall Degree Completion	YES	YES	YES
At-Risk Student Degree Completion	YES	YES	YES
High Impact Degree Completion	YES	NO	NO
Student Persistence Incentive	NO	YES	YES
Remediation Success Incentive	NO	NO	YES
On-Time Graduation Rate	YES	YES	YES
Institutional Defined Productivity Metric	YES	YES	YES

- Research Institutions: IUB, IUPUI, PUWL, BSU
- 4 Year Non-Research Institutions: USI, ISU, IU Regional and PU Regional
- 2 year Institutions: Vincennes and Ivy Tech



Mechanics of the Formula

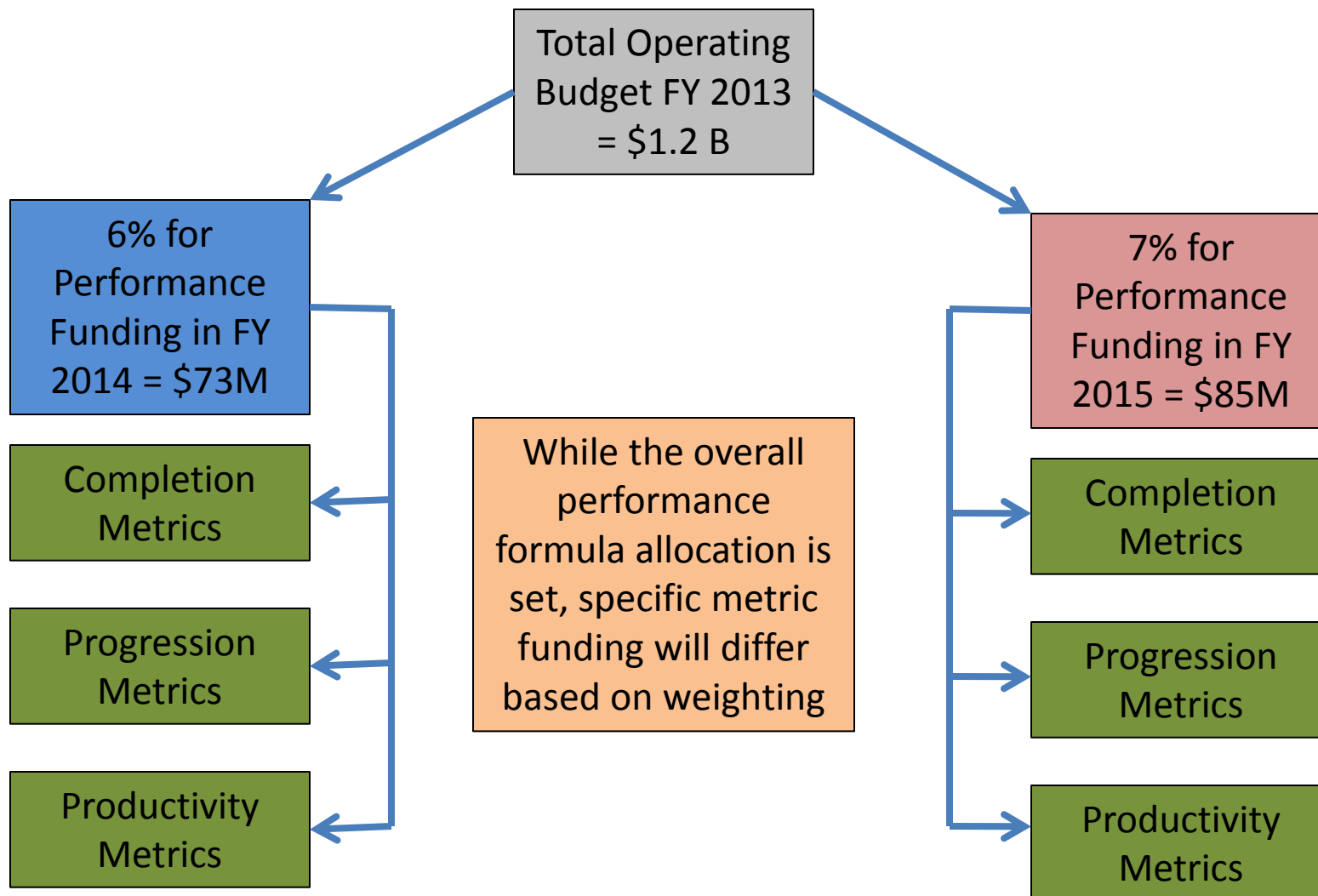
- Funding of the Performance Formula allocation:
 - 6% in 2014 and 7% in 2015 minimum of 2012 base operating appropriation
- Weighting each metric based on Commission priority and goals (aligned with strategic plan)
- Run models to determine outcome of weighted metrics and impact on each institution/campus



Allocation of Formula

- Commission's policy is to continue to move performance funding allocation higher each year
- Determine how allocation will be funded:
 - Reallocation of base budget (fund all 6% and 7%)
 - New funds (limited based on resources)
 - Hybrid
 - Normally determined as part of the Commission's overall higher education budget recommendation
- Base should be impacted to provide funds to those institutions that perform well (reallocation)
- Any new operational funds should go towards funding performance formula, not the base

Allocation of Formula



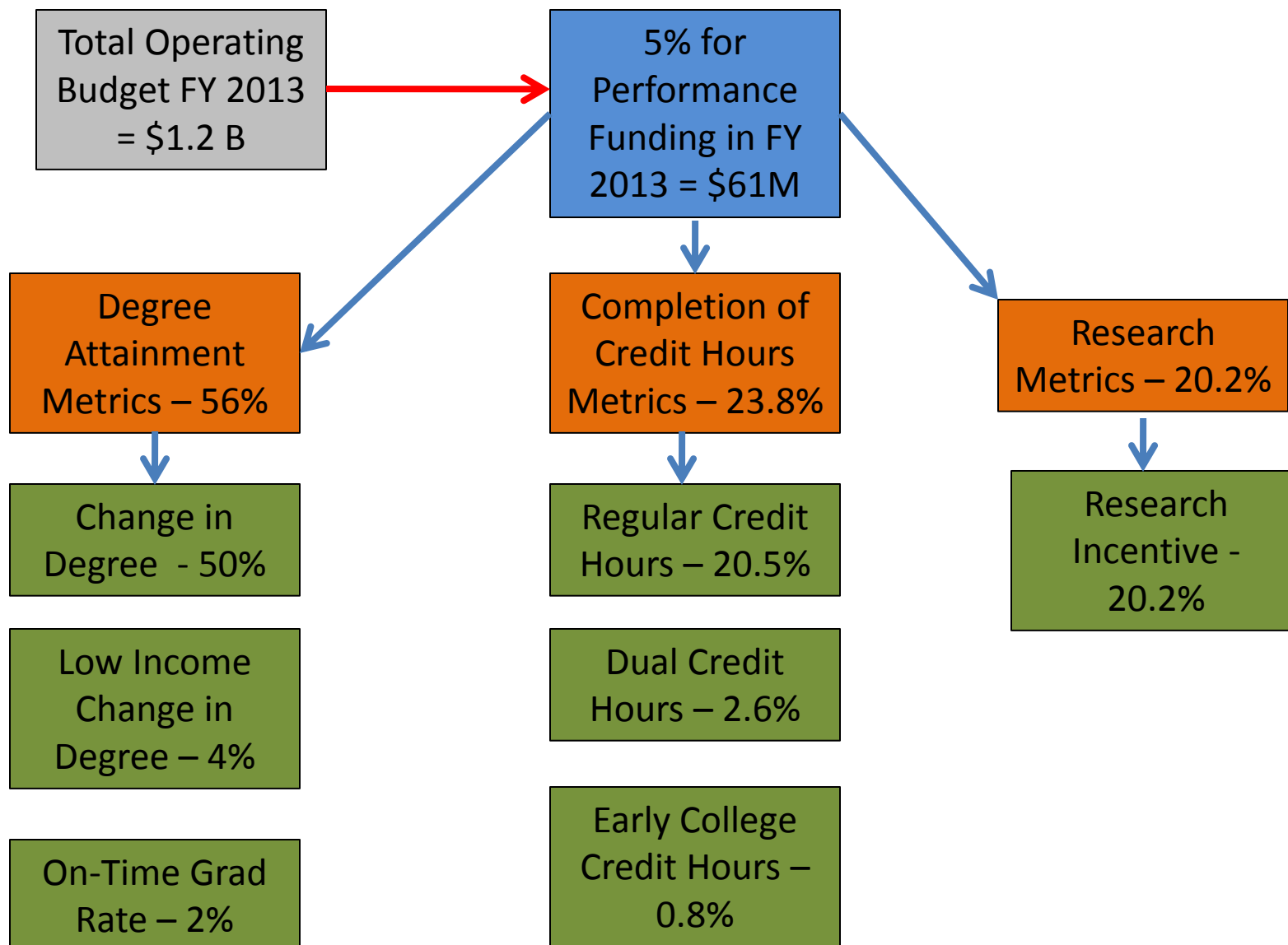


Weighting of Formula

- Commission determines a weight for each metric in the performance formula
- Often based on Commission priorities and goals that align with the strategic plan
- Weighting is discussed and modeled to understand the impact on each institution and campus
- High priority may be given to overall degree completion and on-time graduation rate improvement
- Other metrics are considered “supplemental” and may be weighted less
- Weighting is recommended by a Commission committee and voted on by the full Commission.
- Weighting can change as the budget progresses to the General Assembly



Weighting of Formula

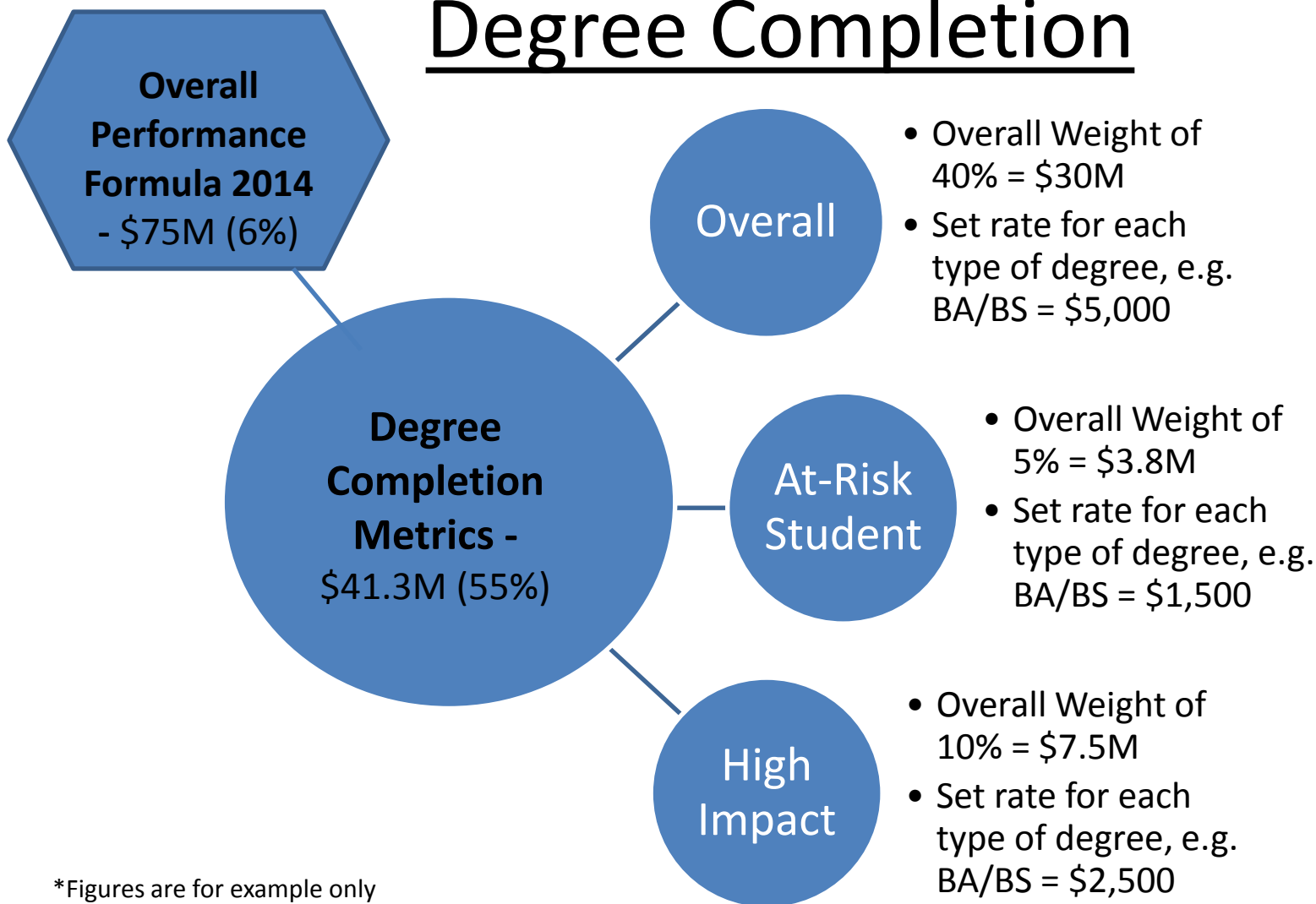




Modeling of Formula

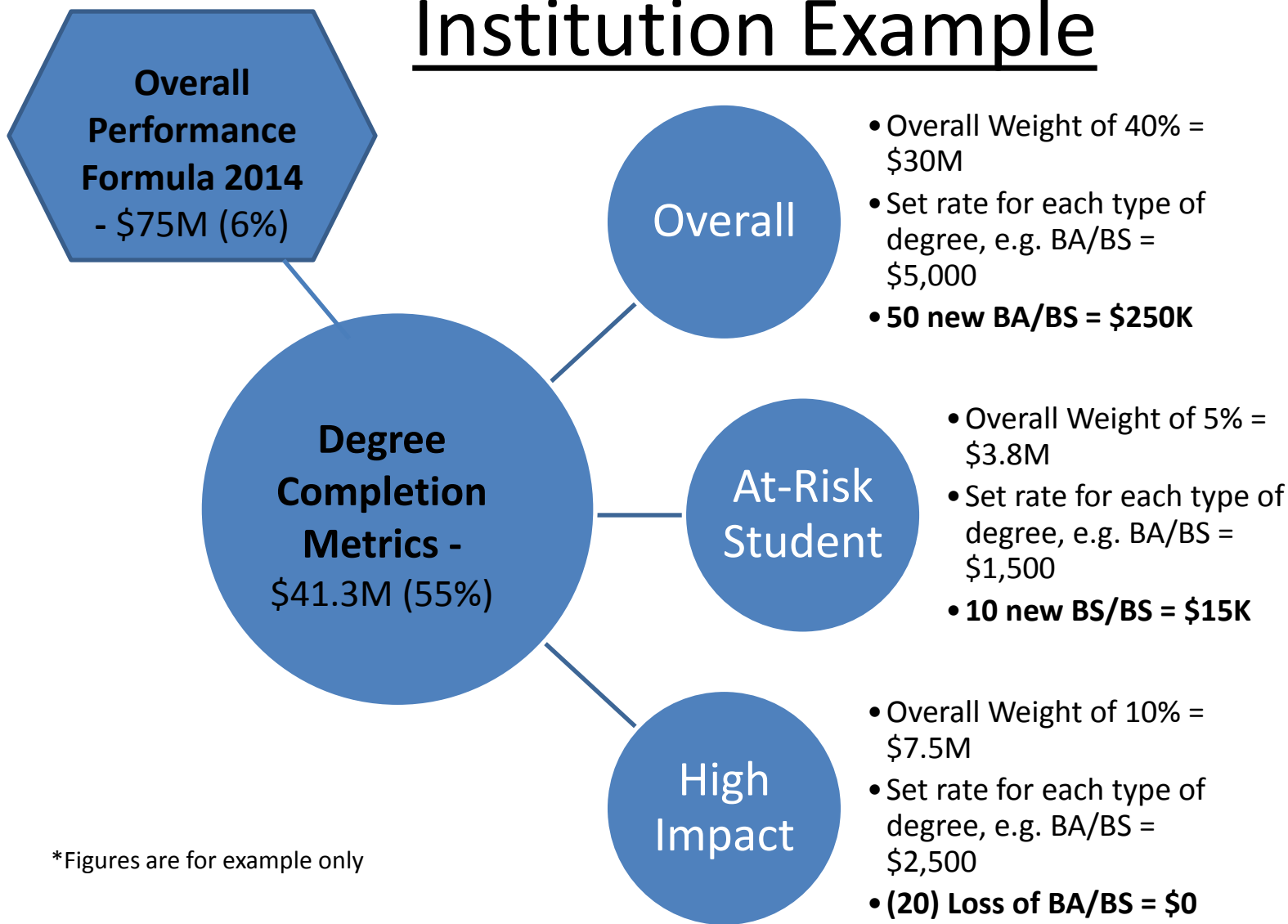
- Staff reviews each metric weight and calculates a dollar amount for each metric
- Using institutional data for each metric, staff assigns a “rate” for various metrics to reward performance
 - Institutions provide some of the formula metric data, other data is generated at the Commission level and verified by institutions
 - All data is reported to the Commission prior to weighting of metrics
- Based on how well an institution performs, the output data is used, along with the “rate”, to calculate an amount of funding for each metric and each institution

Modeling of Formula – Degree Completion



*Figures are for example only

Modeling of Formula – Institution Example



*Figures are for example only



Modeling of Formula

- Variables that change in the formula to run scenarios:
 - Weight of each metric
 - “Rate” used on each output, e.g. amount for different degree types, meeting certain persistence goals, etc.
- Staff will run multiple scenarios with different weights and “rates” to understand impact on each institution/campus and the overall formula
- No campus will be penalized for negative data/formula results



Questions?