FINAL REPORT TO THE

WEST VIRGINIA

SELECT COMMITTEE ON OUTCOMES-BASED FUNDING MODELS IN

HIGHER EDUCATION

January 8, 2013

Final Report to the West Virginia Select Committee on Outcomes-Based Funding Models in Higher Education

Report Background

Senate Bill 436 and Select Committee on Outcomes-Based Funding Models in Higher Education

During the 2012 legislative session, the West Virginia Legislature passed Senate Bill 436, which directs the Joint Committee on Government and Finance to create a select committee charged with making a specific and detailed analysis of outcomes-based funding models used in higher education and providing recommendations to the Legislature on incorporating these models into the state's financing policy.

Specifically, the legislation charged the committee to report with recommendations on implementing a state-level financing plan, which includes:

- A review of existing outcomes-based funding models for institutions and systems of higher education;
- Identification of the top three to five public policy objectives that are to be the focus of the financing policy;
- A review of outcomes-based funding models in other states, including whether these policies have succeeded in influencing institutional and system behavior;
- Recommendations on how to balance the need of institutions for stability with the demands of the state for services as identified in Vision 2020 and the public policy agenda;
- Recommendations on methods to develop a workable balance between addressing the well-being of institutions and the success of students; and
- An analysis of the impact of different models on institutions with widely differing missions, including recommendations on selecting and implementing the appropriate model for each type of institution specifically noting the impact of selected models on community and technical colleges, baccalaureate colleges and regional universities, and research universities.

Non-committee partners

The committee worked with HCM Strategists, LLC [1] (HCM) and the West Virginia Higher Education Policy Commission (HEPC) to guide the development of recommendations and analysis aligned with the committee's charge.

HCM's work was supported through West Virginia's membership in the College Productivity Strategy Labs network funded by Lumina Foundation. This support included non-partisan project management, facilitation of meetings with key stakeholders, expertise in the research and understanding of other state outcomes-based funding models, review of analyses prepared by the HEPC, and production of this final report with recommendations, as guided by the committee and outlined in Senate Bill 436.

[1] HCM Strategists, LLC (HCM) is a public policy and advocacy consulting firm founded in 2008.

HEPC worked with the committee and HCM to coordinate meetings with key stakeholders, respond to legislative data queries and produce data analysis of various outcomes-based funding model options in line with the policy recommendations of the committee.

Process

This report is the culmination of a seven-month process that included monthly meetings of the committee, consultations with system leaders and institution presidents and continued data and formula option analysis.

Initial meetings of the committee focused on understanding West Virginia higher education attainment needs and the establishment of primary policy objectives to guide the state's higher education funding policy. These meetings included a review of the research and best practice considerations for outcomes-based funding models, including examples from other states, and a review of prior formula recommendations from HEPC and the West Virginia Community and Technical College System (CTCS) and examples of outcomes-based funding models in other states. The committee also benefitted from the state's membership in the Southern Regional Education Board (SREB) and the Lumina College Productivity Strategy Labs. Dr. Cheryl Blanco of the SREB presented the organization's recommendations to policymakers and institutions for development and implementation of outcomes-based funding policies. WV HEPC staff participated in a Strategy Labs performance funding site visit with peers from 13 other state's that are in the process of developing, implementing and sustaining outcomes-based funding policies in their respective states.

The policy objectives established a foundational understanding of outcomes-based funding models and design principles. Subsequent meetings of the committee focused on a review of potential metrics aligned to the state priorities, formula model options, impacts on various institutions, and considerations for potential implementation of an outcomes-based funding policy.

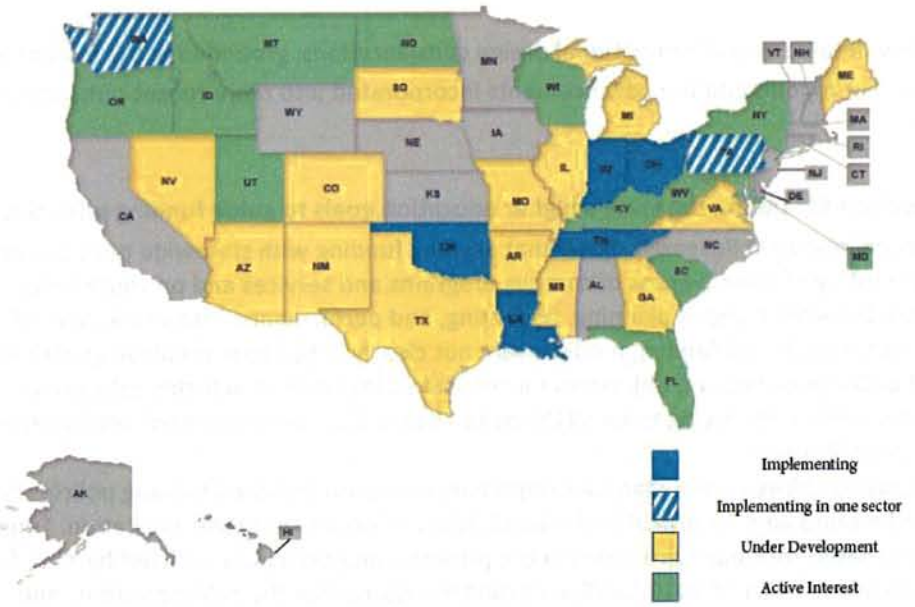
The remainder of this report addresses specific report elements requested in Senate Bill 436, including the recommendations, considerations and next steps for incorporating an outcomes-based funding model into West Virginia's higher education finance plan.

Background of Outcomes-Based Funding for Higher Education

Increasing numbers of state policymakers are turning to the prospect of outcomes-based funding as a leverage point to align the state's financial investment in higher education with the state's higher education goals and priorities. These policymakers see a strategic disconnect between the state's current higher education needs of increased completion and attainment and the traditional funding methods for colleges and universities—typically an enrollment-based allocation (a defined dollar amount per student enrolled at the beginning of the semester) or a historic-based allocation (prior institutional allocation, plus or minus a certain percentage based on the current year's budget context). As a result of this disconnect, approximately 33 states are currently implementing, developing or considering outcomes-based funding policies that align some portion of the state's higher education

investment with the state's higher education goals and policy priorities.[2] Outcomes-based funding can be a powerful tool to promote improvement, refocus institutional priorities, and increase efficiency.

Graphic: Status of Outcomes-Based Funding Policies, as of November 2012



Outcomes-based funding (also referred to as performance-based funding) is not a recent policy development in higher education—an analysis of state adoption of these funding policies found that 26 states adopted some form of outcomes-based funding between 1979 and 2007. However, several of these earlier models were abandoned because of flaws in development, design, or implementation. Research into the effectiveness and sustainability of these funding models has informed the development of more recent models in several states. Further, the lessons and research from these earlier models has framed a general consensus among higher education policy experts about foundational development, design and implementation considerations of outcomes-based funding policies. Lumina Foundation through its *Four Steps to Finishing First* policy agenda as well others have published research-informed analyses of these early models and how states can ensure new outcomes-based funding policies address the shortfalls. (See Appendix A for a bibliography of outcomes-based funding publications, research and reports and Appendix B for an overview of selected state outcomes-based funding models).

[2] Productivity Strategy Labs and NCSL state performance-based funding tracking

Informed by Research: Foundational Design Considerations for Outcomes-Based Funding

As noted above, there have been many studies regarding the development, implementation, and revision of outcomes-based funding policies for higher education. These analyses shed light on some of the major concerns, policy and political implications, and successes of outcomes-based funding formulas, which have guided the advancement and refinement of more recent outcomes-based funding models.

The section below details several foundational design considerations, grounded in the lessons informed by research of earlier models and the advancements incorporated into more recent outcomes-based funding models.

Design Consideration #1: Define the state's higher education goals to guide funding priorities.

- *Informed by research:* Research shows that aligning funding with statewide priorities can lead to greater scrutiny of effectiveness of campus programs and services and promote better alignment between campus planning, budgeting, and performance.[3] However, several of the earlier outcomes-based funding models were not clearly linked to a definitive goal or well-defined policy priorities and objectives for the state's investment in higher education. As such, the funding policy was trying to be all things to all priorities, sending mixed and often misaligned signals to institutions.
- *Advancements:* More recent state developments in outcomes-based funding policies have been anchored around an overall goal and related policy priorities for higher education. **Tennessee's** outcomes-based formula is grounded in the priorities and principles outlined by the Complete College Tennessee Act of 2010.[4] **Indiana's** model is framed by the policy priorities and attainment needs of the state, as further articulated in the state's higher education strategic plan.[5] This critical advancement recognizes that to properly align a state's investment in higher education with the state's priorities, agreement on the state's goals for higher education must come first.

Design Consideration #2: Keep it simple, with limited, clearly defined and measurable metrics.

- *Informed by research:* Likely a direct result of the lack of a well-articulated goal and policy priorities to guide the funding model, earlier models were often weighed down with too many outcomes-based metrics. These metrics complicated the funding system, and in many cases the metrics were not easily understood or lacked reliable data.[6]
- *Advancements:* With higher education policy and attainment goals articulated, states are able to design simple and relatively easy to understand models that incorporate limited, well-defined outcomes-based metrics.

---

[3] Joseph Burke and Associates, *Funding Public Colleges and Universities for Performance* (Albany: Rockefeller Institute Press, 2002).
[4] Information on the Complete College Tennessee Act of 2010 can be found at http://tn.gov/thec/complete_college_tn/ccta_summary.html.
[5] Information on the Indiana Higher Education Strategic Plan, Reaching Higher Achieving more can be found at: http://www.in.gov/che/2349.htm
[6] Kevin J. Dougherty, Rebecca Natow, Rachel Hare, and Blanca Vega, "The Political Origins of State-Level Performance Funding for Higher Education: The Cases of Florida, Illinois, Missouri, South Carolina, Tennessee, and Washington", *Community College Research Center*, (2011) http://ccrc.tc.columbia.edu/Publication.asp?UID=819

Design Consideration #3: Promote mission differentiation and protect against mission creep.

- *Informed by research:* State goals and priorities should be the framework around which the outcomes-based model is built. Metrics by which institutions are measured should be limited and clear. However, it is also important that models recognize a *system* of higher education and the specific mission or role that each type of institution within that system plays in advancing the state toward its higher education goals and priorities. Many early models treated all institutions the same, promoting mission creep or putting certain institutions at an immediate disadvantage regardless of actual performance.
- *Advancements:* States with more recent outcomes-based funding models have recognized the need to maintain a clear focus on advancing state priorities and goals. However, these models also provide opportunity for all institutions to succeed and contribute to the state's overall higher education objectives through their respective institutional missions. States such as **Illinois, Tennessee, and Indiana** have addressed mission differentiation by applying unique metrics and/or weighting the application of those metrics differently based on institution type. **Ohio** established three different formulae (and separate allocations of funding) for its three types of institutions—main campus (research), regional (comprehensive), and two-year.

Design Consideration #4: Provide extra incentive for the success of certain student populations.

- *Informed by research:* Unless explicitly accounted for, outcomes-based funding models that reward success (i.e., graduation rates) could have the unintended consequence of rewarding colleges that have better prepared students or provide incentive for colleges to make admissions criteria more restrictive.[7] These unintended consequences not only close doors to certain students but ultimately harm the state's ability to achieve its goals as the success of these student populations is often essential for the state to meet its attainment goals.
- *Advancements:* Recently, states have addressed this issue in a combination of ways, such as rewarding student progress including remedial coursework, credit accumulation, or other key benchmarks toward completion.[8] These metrics, referred to as "momentum points," are based on research conducted by Community College Research Center for the Washington Board of Technical and Community Colleges. They represent key points that lead to greater persistence and success, irrespective of student background characteristics—social and academic.[9] This research has been used to inform the development of outcomes-based funding policies and associated metrics in several states, including **Arkansas, Ohio, Tennessee, Illinois, Indiana, Nevada, Tennessee, and Washington**. States also have added extra weight or incentive to institutions for the progress and degree completion of student populations whose success is essential to the state meeting its attainment goals but who typically enter college less prepared. These populations often include low-income, academically at-risk, and adult students. Additionally, states have shifted from the use of rates (e.g. persistence rates, graduation rates) to the use of counts. This approach helps protect against incentive to restrict access to less

---

[7] Dougherty, et al., 2011

[8] Nancy Shulock, "Concerns About Performance-based Funding, and Ways that States are Addressing these Concerns," *Institute for Higher Education Policy and Research*, (May, 2011) http://www.csus.edu/ihelp/PDFs/B_performance%20funding_05-11.pdf

[9] For more information on Milestone and Momentum Point research see: http://ccrc.tc.columbia.edu/Publication.asp?UID=570

prepared students while still ensuring that each institution is rewarded based on its contribution to the state's overall goal.

The impact of outcomes-based funding—research and state experience

The design considerations articulated in this report are a direct result of research and analysis conducted on earlier funding models that linked dollars to performance outcomes. This earlier research sought to understand the impacts of outcomes-based funding on institutional behavior and student outcomes. States such as Ohio, Pennsylvania, and Washington have documented increased outcomes correlated with performance funding policies.

- Ohio: Ohio's Success Challenge Program, part of a group of performance funding programs, was found to have reduced median time to degree for in-state bachelor's degree graduates and increase by nearly 10 percent the number of in-state bachelor's graduates earning their degree in between 1999 and 2006. *(from "Ohio Experience with Outcomes-Based Funding")*
- Pennsylvania: Since 2002, the state has documented a nearly 10-point increase in overall four-year graduation rates, including increases of 6 and 9 points for African American and Hispanic students and a jump in persistence rates, especially for Hispanic students, who saw a 15-point persistence improvement. All while institutions increased enrollment by nearly 20 percent. *(data provided by Pennsylvania System of Higher Education)*
- Washington: A review of Washington's Student Achievement Initiative found increases for the number of students reaching key benchmarks in nearly every measured area. This includes basic skills attainment, persistence and completion. *(from Washington State Board of Community and Technical Colleges)*.

While these impacts are encouraging, it is difficult to attribute them directly to the funding policies. Perhaps more important is research that indicates aligning funding with statewide priorities can lead to greater scrutiny of effectiveness of campus programs and services, promote better alignment between budgeting and performance, and result in a greater focus on student placement and success. These latter results should be the focus for state policymakers and higher education officials as they consider the development and implementation of outcomes-based funding policy. Ultimately, outcomes-based funding is a policy tool meant to align the state's investment with the state's priorities to support and encourage other necessary institutional and system reforms (remedial education, student persistence, transfer policies, etc.) that ultimately foster greater student success.

Design Consideration #5: Invest real dollars.

- *Informed by research:* Several analyses into earlier models of outcomes-based funding cite small amounts of funding as an important limiting factor for the intended impacts of the funding policies.[10] These earlier models linked a very small proportion (often 1 or 2 percent) of an institution's total state allocation to the established outcomes. If the large majority of institution funding remains based in prior allocation models, it will be difficult for the outcomes metrics to drive behavior and produce significant results. Additionally, if the outcomes-based formula is implemented on new money only, this bonus allocation is often the first thing reduced or eliminated in tight budget climates. Both of these scenarios—limited existing dollars or new funding only—ultimately continue the existing disconnect between the state's higher education policy priorities and its funding policy.

[10] Dougherty, et al., 2011

- *Advancements:* Outcomes-based funding is intended to focus institutional attention on key state priorities. More and more policymakers are recognizing the need to make this alignment real and significant. States like **Tennessee, Ohio, Indiana, Arkansas, and Louisiana** have committed to base a significant amount (5 percent or more) of an institution's state allocation on the outcomes-based formula. For example Tennessee's policy drives 100 percent of the state's allocation through its outcomes-based formula for all institutions. Ohio completely replaced its enrollment component of the formula for four-year institutions with course completion and degree completion metrics, and the state bases 5 percent (growing to 25 percent) of community college funding on student progress and outcome metrics.

Design Consideration #6: Protect against large redistribution of funds.

- *Informed by research:* Several earlier models resulted in a large redistribution of funds between institutions. Much of this redistribution was the result of a poorly designed model that did not adequately consider the foundational design elements noted above—especially the use of too many targets and difficult to measure metrics and the lack of attention to mission differentiation.
- *Advancements*: The most important way to protect against large redistributions of funds is to build a formula grounded in clear, measurable metrics and sound data. Today's outcomes-based models typically strike this careful balance of being clearly grounded in the state's higher education goals and priorities yet intricate enough to allow each type of institution to improve and show advancement toward goals. Additionally, some states are employing multi-year averages (usually three years) to stabilize the data and give institutions time to adjust to the new funding policy, thus phasing-in the full policy over a number of years.

Design Consideration #7: Engage institutions in the formula development.

- *Informed by research:* Multi-state research of outcomes-based funding policies has demonstrated that a lack of institutional engagement and support led to program failure or abandonment.[11] Some of these earlier models were developed by legislators and policymakers with limited institutional engagement or consultation.
- *Advancements:* A key development in more recent outcomes-based funding policies is the use of guiding legislation or strategic planning to establish parameters that an outcomes-based policy must address but which delegates the actual formula development to an entity that often includes higher education system and institution representation. Consistent elements of this guiding legislation include: statement of the state's higher education goals, establishment of the state's higher education policy priorities, priority populations (e.g. low-income, adult), recognition of mission differentiation, amount/percentage of allocation based on outcomes, and timeline for development and implementation (including phase-in parameters). **Arkansas, Illinois, Nevada, Tennessee, and Texas** provide good examples of states that established legislative parameters and delegated specific formula details to a development committee.

[11] Dougherty, et al, 2011.

West Virginia and Outcomes-Based Funding: Work of the Select Committee

The foundational design considerations above served as the basis for the conversations and development process the committee undertook from May-November 2012. As such, the foundational design considerations inform the final recommendations, further considerations, and next steps put forward in this section of the report.

1. Establishing the Baseline: Key data points, trends and themes from prior work

To establish a contextual framework to guide the development of goals, priorities, and principles for higher education and an outcomes-based funding policy, the committee reviewed key higher education attainment data and trends. The committee also considered the work of relevant prior legislation and policy documents.

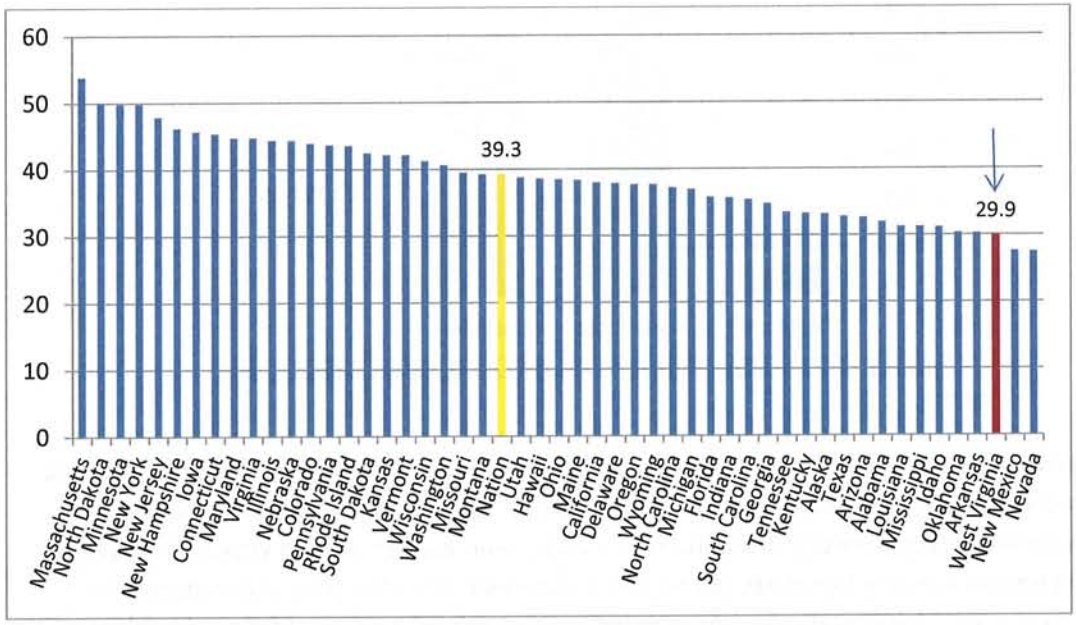
Data as context

The committee considered the following data:

- *Attainment Rates:* West Virginia is facing a skills gap that will require a significant increase in the number of higher education credentials being produced by the state's colleges and universities. ***By 2018, 49 percent of all jobs in the state will require some postsecondary education or training, translating to 20,000 additional postsecondary credentials by 2018.***[12] Yet, West Virginia currently ranks 48th in the nation for the percentage of adults aged 25 and older that have a college associate degree or higher (29.9 percent).[13] The state has made strides in educating the younger portion of this population with an increase in the education level between younger and older workers.[14] However, to reach the benchmark of 20,000 additional credentials by 2018 will require between 4 and 5 percent annual growth in the credentials and degrees awarded by institutions each year.[15]

[12] Tony Carnevale, Nicole Smith and Jeff Strohl, "Help Wanted: Projections of Jobs and Education Requirements through 2018," *Georgetown Center on Education and the Workforce,* (June 2010), http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/State-LevelAnalysis-web.pdf
[13] NCHEMS Higher Education Information, www.higheredinfo.org
[14] WV College Completion Task Force
[15] Calculations provided by WV HEPC

Figure 1: College Attainment: Percent of population age 25 and older with an associate degree or higher

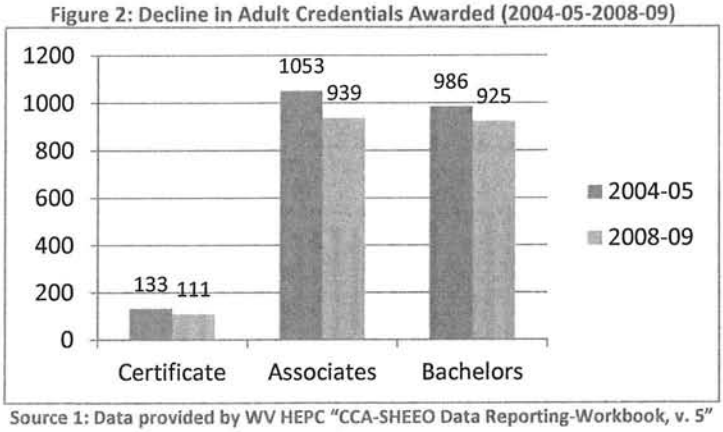


Source: NCHEMS Higher Education Information, www.higheredinfo.org

- *Enrollment:* West Virginia has done a good job increasing access and enrolling students. Enrollment between 2007 and 2011 increased by 18 percent at West Virginia's community colleges and 6 percent at West Virginia's four-year institutions.[16] The state is above the national average for both the percent of the population aged 18-24 enrolled in postsecondary education (40.8 percent) and the percent of the adult population, aged 25-49 enrolled (8.8 percent).[17]
- *Adult students:* The adult population (age 25 and older) will be essential for the state to meet its attainment goals. First, the number of high school graduates is predicted to decline over the next several years, translating into fewer traditional age college-going students.[18] Second, projections show that nearly 72 percent of the workers that will be in the state's workforce in 2025 are already in the state's workforce. Additionally, nearly 20 percent of the working age adults have some college but no degree.[19] However, data show that very few of students age 25 or older that enroll in college actually ever earn a credential.[20] Further, between 2004 and 2009 the state had a 9 percent decrease in the number of credentials awarded to adults age 25 and older.[21]

[16] WV HEPC Data Portal
[17] WV College Completion Task Force
[18] SREB Fact Book 2010
[19] Completion Task Force
[20] Complete College America, http://www.completecollege.org/docs/West_Virginia.pdf
[21] WVHEPC, CCA and SHEEO data reporting workbook, version 5. (provided by WVHEPC)

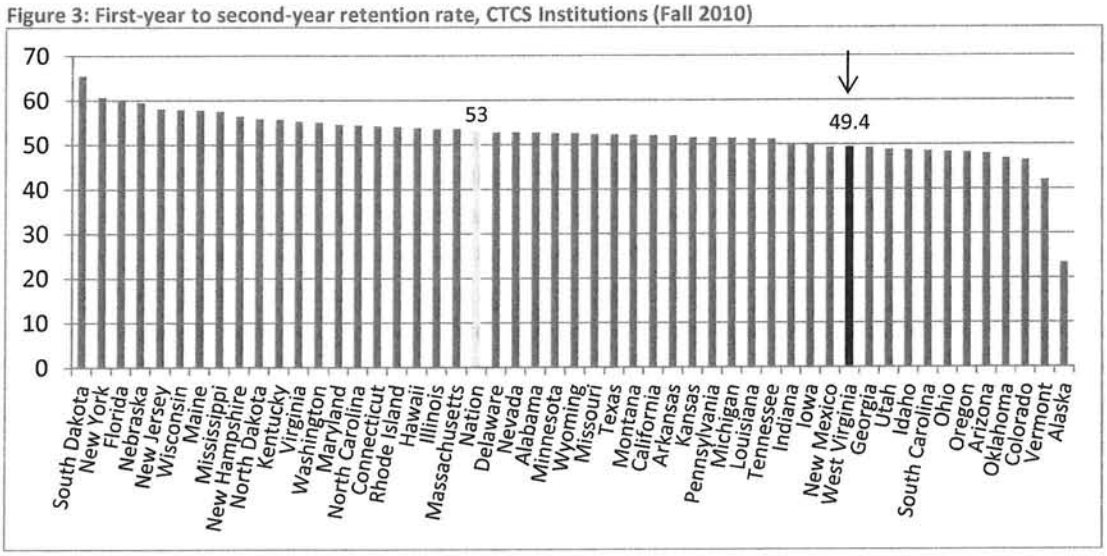
Figure 2: Decline in Adult Credentials Awarded (2004-05-2008-09)



Source 1: Data provided by WV HEPC "CCA-SHEEO Data Reporting-Workbook, v. 5"

- *Retention and Persistence:* West Virginia is below the national average for the persistence of students at both two-and-four year institutions. In 2010, less than half (49.4 percent) of students enrolled at two-year institutions in 2009 returned for a second year. At four-year institutions just over two-thirds (68 percent) of students from the prior year returned for a second year.[22] Additionally, for two-year institutions only 35 percent of full-time students and 37 percent of part-time students earn the expected amount of first year credits.[23] At four-year institutions, 67 percent of full-time students and 35 percent of part-time students earn the expected number of credits in their first year.[24]

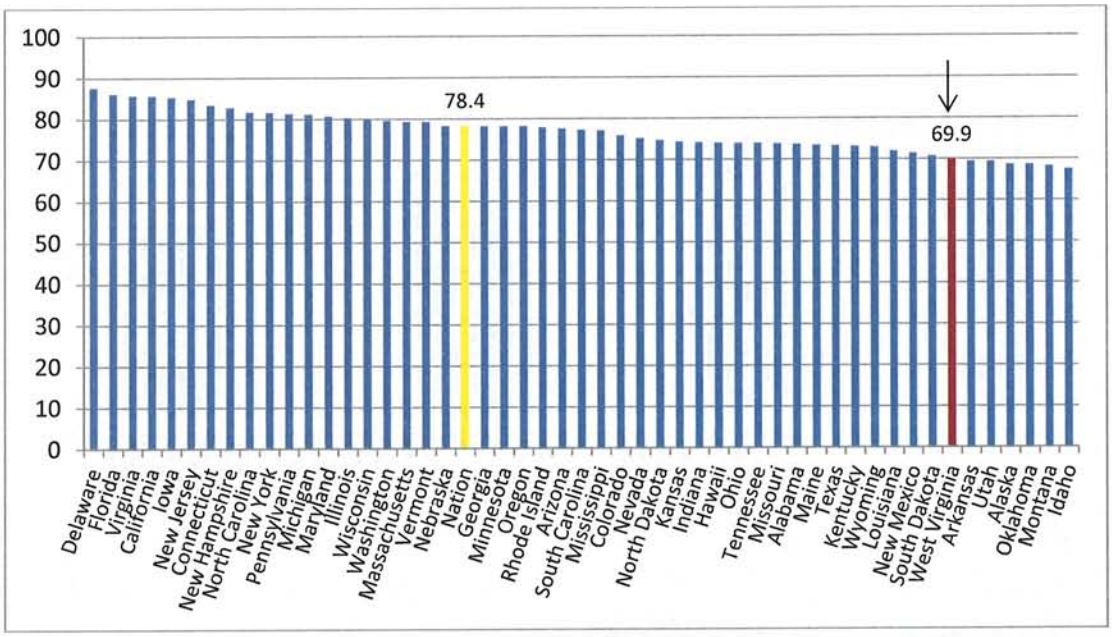
Figure 3: First-year to second-year retention rate, CTCS Institutions (Fall 2010)



Source: NCHEMS Higher Education Information, **www.higheredinfo.org**

[22] NCHEMS, Higher Education Information, www.higheredinfo.org
[23] Expected first-credits for is considered 24 for full-time students and 12 for part-time students
[24] Complete College America, ibid and West Virginia Higher Education Policy Commission.

Figure 4: First-year to second-year retention rates, HEPC institutions (Fall 2010)

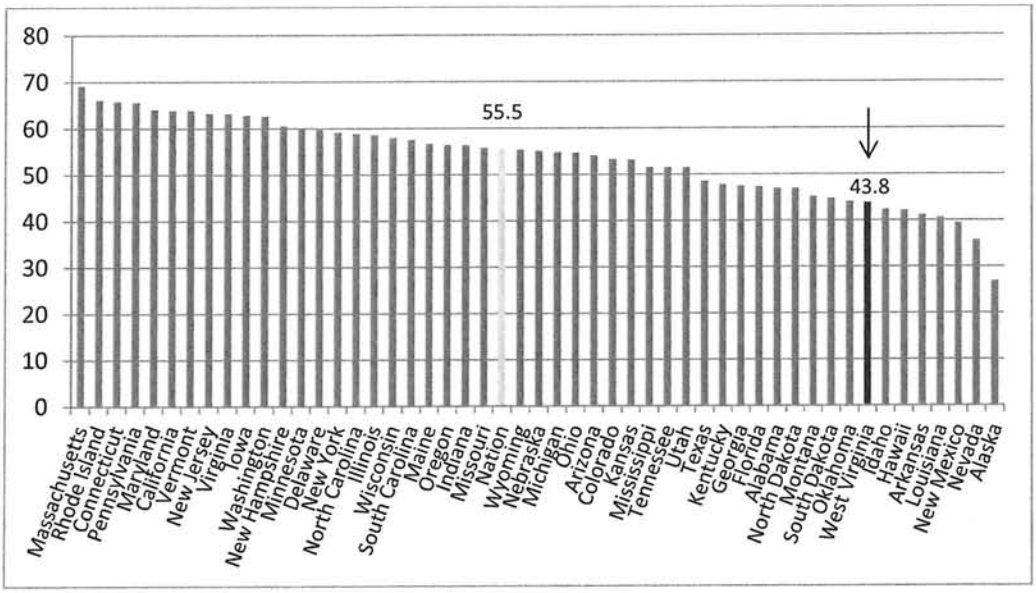


Source: NCHEMS Higher Education Information, www.higheredinfo.org

- *Completion:* The six-year graduation rate of West Virginia's four-year institutions is 43.8 percent, below the national average of 55.5 percent. At the state's community colleges 23.3 percent of students will graduate within three-years, below the national average of 29.2 percent.[25]

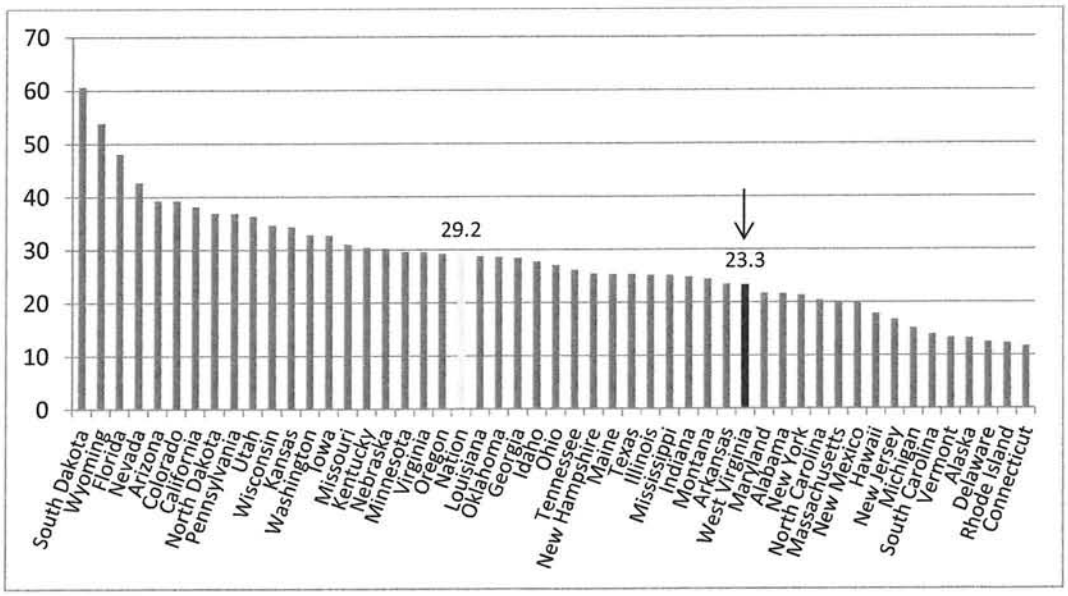
[25] NCHEMS Higher Education Information, ibid. *Note, NCHEMs uses data reported to IPEDS for its analysis. For this particular data element, data collected by WVHEPC shows a slight difference in the data with a 48.5 percent six-year graduation rate reported by institutions to WVHEPC.*

Figure 5: Six-year graduation rates at public four-year institutions (2009)



Source: NCHEMS Higher Education Information, www.higheredinfo.org

Figure 6: Three-year graduation rates (associate's degrees) at public 2-year institutions (2009)



Source: NCHEMS Higher Education Information, www.higheredinfo.org

- *Time-to-degree:* In 2009, full-time graduates at West Virginia's four-year institutions took an average of 4.9 years to earn their degree; part-time students took an average of 7 years. For

community college students, full-time students took an average of 4.4 years to graduate with an associate's degree; part-time students took an average of 6.1 years to earn their associates.[26]

- *Developmental Education:* Students requiring developmental education is a major barrier to completion. Only 13 percent of associate-degree seeking students who need developmental education earn a degree within four years. This is less than half the rate of those students that do not require remediation.[27]

A note about student preparation and higher education outcomes-based funding.

There is a frequent refrain that higher education cannot do better without better prepared students. This conversation came up early-on in the committee's work. The committee acknowledged the role that both K-12 and higher education will play in allowing the state to fully meet its economic and workforce needs. Ultimately, however, this committee's work would remain focused on the state's priorities for higher education and incentivizing reform to the barriers that exist once students enter postsecondary education (such as delivery of developmental education, student progression and time-to-degree). Further, outcomes-based funding could provide incentive for closer collaboration between K-12 and higher education, with more clearly articulated expectations and pathways for student transition.

Prior legislation and policy documents as context

The committee's development process included review and consideration of several prior legislative and policy documents that have offered goals, policy objectives, and strategies for West Virginia higher education. These documents included:

- Senate Bill 595 (2008)[28]
- West Virginia Higher Education Policy Commission Master Plan (2007-2012)[29]
- *Financing West Virginia's Future*: A Funding Model for Higher Education (WVHEPC, 2010/11)[30]
- *Meeting the Challenge: 2010-15*. West Virginia Community and Technical Colleges System Master Plan[31]
- West Virginia Community and Technical Colleges System Funding Proposal (2009)[32]
- *Educating West Virginia is Everyone's Business:* West Virginia College Completion Task Force Report (2012)[33]

[26] Complete College America, ibid.
[27] West Virginia College Completion Task Force Report
[28] http://legiscan.com/gaits/view/595
[29] https://www.wvhepc.org/Master%20Plan/master%20plan_11.15.07.pdf
[30] http://wvhepcnew.wvnet.edu/pdf/WVHEPC%20Funding%20Formula%20FINAL.pdf
[31] http://www.wvup.edu/Planning/Target_2010-2015_Master_Plan_FINAL.pdf
[32] http://dctadvisors.com/DCT_Advisors/Finance_files/CCTCE%20Series%202%20-%20Finance.pdf
[33] https://www.wvhepc.org/resources/Educating%20West%20Virginia%20is%20Everyone%E2%80%99s%20Business%20Report%20from%20the%20West%20Virginia%20College%20Completion%20Task%20Force.pdf

Several themes emerged from review of this prior work.

- *No consistent, overall statewide goal:* Nearly all of the documents recognized a general need to increase higher education degree production and attainment rates, but the documents did not offer a consistent, overall statewide goal for higher education attainment. The West Virginia College Completion Task Force Report and the CTCS Master Plan were the only two documents which identified specific numbers or attainment goals.[34]
- *Consistency on major policy priorities:* Though there was some variation, the documents did reflect a general consistency on several major higher education policy priorities for the state, including:
    - Increased completion
    - Affordability/Productivity (Pell students, on-time degree completion)
    - Adult students
    - Developmental education reform
    - Student progression/credit accumulation
    - High Needs Fields, e.g. STEM
    - Transfer
    - Research

In addition to using these common themes to help frame the conversation, the committee and its partners explicitly considered relevant elements of the CTCS and HEPC funding proposals throughout the development process.

2. A Framework for Outcomes-Based Funding in West Virginia

With the data and prior work as a framing context for the conversation, the committee moved to establish goals and priorities for state higher education that would then guide the development of specific recommendations for incorporating an outcomes-based funding model in the state's higher education funding plan.

Establishing Goals and Priorities for West Virginia Higher Education

The committee adopted a goal for West Virginia Higher Education to produce 20,000 additional degrees by 2018. The committee also expressed an interest for West Virginia's HEPC and CTCS leadership to further analyze this number and provide a better understanding of how the state should meet this goal, and what each sector's expected contribution will be, in alignment with the state's projected economic and workforce needs.

[34]The Completion Task Force report called for 20,000 additional degrees/certificates by 2018. The CTCS master plan articulated a goal of 16,000 new certificate/associates holders by 2015.

The committee also articulated the policy priorities for higher education that are necessary to achieve the attainment goal. These priorities are:

- Student success (Completion)
- Student progression and persistence (including developmental education)
- Affordability and productivity (including on-time completion/time-to-degree)
- Institution differentiation (e.g. research and job placement/workforce training)
- Priority populations of adult and low-income students
- Priority credentials for Science, Technology, Engineering and Mathematics (STEM)

For the identified priority populations and credentials, the committee would like continued evaluation of how to best align these categories with the needs of the state. Specifically for priority credentials, there was an expressed need to more clearly define the specific STEM fields that are needed and to identify any needs beyond those captured in the STEM definition.

Guiding Parameters Established by Committee

The establishment of a higher education goal and related priorities was a significant step for the committee's work. The committee was then able to direct a general framework for how to align the state's investment with these priorities and begin analysis of potential funding options for the state. This framework included the following parameters:

- **Establish two separate formulae;** one for the two-year sector and one for the four-year sector. This would serve as the primary way to ensure the policy was sensitive to the differing missions of these institutions with the most appropriate model and metrics applied respectively.
- **Limit the number of metrics used to measure the established priorities, with some differentiation across sectors.** The committee took to heart the foundational principle of keeping the formulae simple with a limited number of metrics anchored in the state's attainment goal and policy priorities. The committee also recognized that the metrics provide another option to further differentiate across sectors and ensure the formula provides opportunity for institutions to succeed.
- **Conduct analysis on reallocation of a portion of the state's existing higher education budget through outcomes-based formulae.** The combination of the state facing a potential budget shortfall and recognition that the state's investment in higher education should be aligned to the state's priorities led the committee to request initial analysis based on a reallocation of existing (base allocation) dollars.

Initial Options and Analysis for Outcomes-Based Funding

Directed by the committee's established policy priorities and formula parameters, HEPC and HCM worked with Rich Petrick, former chief financial officer at the Ohio Board of Regents, to develop initial formula options, and analysis was conducted using the committee's established priorities and framework considerations along with feedback offered by institutions. This analysis was used to advance

the committee's work toward final recommendations and next steps for incorporating an outcomes-based funding component into the state's higher education finance policy.

The general approach included the development of two separate formulae, one for CTCS institutions and one for HEPC institutions. Each formula was developed on a "points" system that multiplies the outcomes metric (number of students or degrees in priority categories) by a weight that considers institution mission, student progression toward degree completion, and contribution to state priorities. The weights include the identified priority populations (adult and Pell), priority credentials (STEM) and increased weight for higher degrees achieved.

The allocation of points across metrics and as a basis for the distribution of funds is determined by each institutions proportional contribution to the overall totals. This approach balances two priorities: 1) that access remains an institutional focus; and 2) that institutions not improving or earning a low share of total contribution will not be rewarded for this lower performance.

The sections below provide a general illustration and description of the metrics, weights and impact. Appendix C provides more detailed definitions and charts.

a) *Outcomes Metrics:* Based upon the established policy priorities of the committee and a desire to link the identified metrics to the mission and students served by the different sectors, the following metrics were identified.

CTCS Outcome Metrics	
Policy Priority	**Metrics**
Student Success	*Credential Completion:* # of certificates and associate degrees awarded
Student Progression	*Developmental education success:* # of students passing remedial classes in math or English and number of those students who then pass a college level course in the same subject within one year.
	Momentum Points (credit accumulation): # of students that have achieved certain credit thresholds by the end of an academic year – 15, 30 and 45.
Productivity/Affordability	*On-time degree completion:* # of students that earn an associate's degree on-time (2-years) or within one-year of on-time (3-years).

HEPC Outcome Metrics	
Policy Priority	**Metrics**
Student Success	*Degree Completion:* # of associate, bachelors, masters and doctoral degrees awarded.
Student Progression	*Transfer-in:* # of students enrolling in a HEPC institution that were previously enrolled at a CTCS institution.
	Momentum Points (credit accumulation): # of students that have achieved certain credit thresholds by the end of an academic year – 30, 60 and 90.
Productivity/Affordability	*On-time degree completion:* # of students that earn a bachelor's degree on-time (4-years) or within one-year of on-time (5-years).

b) *Distribution of weights:* The weights were established to acknowledge both the progression of the student toward a degree and the recognition that more institutional resources are invested as students move through the institution, both in terms of upper division courses costing more and the additional cost of student support services, advising, etc. Weights are also designed to acknowledge the importance of state priorities. For example, an undergraduate student completing 15 credit hours in a community college receives a weight of 1.0, whereas an adult student who completes 45 credit hours is weighted at 1.75. Weights may be applied in multiple categories as well. For example, in the HEPC formula, an associate's degree is weighted at 2.0, while a Pell recipient earning a bachelor's degree in a STEM field is weighted as 4.25.

c) *Impact:* To understand the potential impacts of this model, the formulas for both CTCS and HEPC were run at 2 percent and 5 percent of fiscal year 2013 base appropriations. The tables below show the range of impact for CTCS and HEPC institutions at these two funding levels.

Range of Impact of Outcomes-Based Funding for CTCS Institutions		
% of FY 2013 funding allocated through outcomes formula	**Largest Institution Decline (from FY 2013 levels)**	**Largest Institution Increase (from FY 2013 levels)**
2 percent	-0.6 percent	+0.9 percent
5 percent	-1.4 percent	+2.1 percent

Range of Impact of Outcomes-Based Funding for HEPC Institutions		
% of FY 2013 funding allocated through outcomes formula	**Largest Institution Decline (from FY 2013 levels)**	**Largest Institution Increase (from FY 2013 levels)**
2 percent	-1.2 percent	+0.9 percent
5 percent	-2.9 percent	+2.4 percent

Institutional Reaction and Input

After review of the initial formula development framework and analysis, the committee directed HEPC to consult with institution leaders and gather their feedback. The consultation included separate conference calls with CTCS and HEPC institutions. The summary of this institution input is as follows:

- Mission differentiation: Institutions recommended a further refinement of metrics/formula weights to recognize institution mission, particularly within the four-year sector. This included recommended addition of a research metric for HEPC institutions and workforce development for CTCS institutions.
- Priority credentials: Institutions wanted to consider a more detailed or inclusive definition for priority credentials, such as health sciences, which are of great need to the state.
- Priority populations: The recommendation was made for further consideration and analysis into the correct weighting for the priority populations, particularly Pell-eligible students.
- In-state vs. out-of-state: Some institutions recommended that the formula only include in-state students in the calculations.
- Full-time enrollment: Institutions commented that the state should encourage students to enroll full time (15 credits/semester) to increase completion.
- Level of analysis: Some institutions requested a dual level of analysis that looks at both year-over-year improvement and benchmarks for success.
- Quality and Access: Institutions noted a need to ensure quality and access are maintained. The student population priorities, particularly Pell students, the use of counts rather than percentages, as well as the focus on student progression (momentum points) all help ensure access remains a priority along with success. West Virginia institutions should additionally find ways to measure and report on quality. Some indicators such as job placement and passage rates on licensure exams could be considered.
- Funding inequities: Some institutions believe that historic funding inequities need consideration in the model

Additional institutional responses are contained in Appendix D.

Aligning West Virginia's Investment with its Priorities: Final Recommendations of the Committee

After several months of research, data review, and consultation with external experts, the committee has embraced the concept of outcomes-based funding. Good finance policy calls for aligning investment of state dollars with the state's higher education goals and policy priorities.

The initial model framework and development outlined above was intended as a starting point based on the prior months of committee discussion and feedback received from initial institution consultations regarding the established goals, priorities, and potential metrics. The committee recognizes there are several remaining technical considerations, informed by the input of institutions that need to be addressed in a final outcomes-based funding formula.

The final development and implementation of an outcomes-based model will require continued direction of state policymakers to ensure the outcomes-based funding policy remains focused on attainment of the state's goals and policy priorities. Successful and sustained outcomes-based funding will also require the continued consultation and input of institutions.

The committee recommends the 2013 Legislature commit to incorporating an outcomes-based funding formula into the state's higher education finance policy, starting in 2014. This policy should include allocation of a proportion of the state's existing investment in higher education on the basis of outcomes in addition to allocation of any new state investment in higher education. Using the goals, priorities and framework established through the work of the committee and put forward in this report, the committee recommends that legislation be adopted to direct the final development of the outcomes-based funding formula that will be implemented in 2014. Based on the work of the committee as articulated in this report, the legislation should clearly articulate:

- **The state's goals and priorities for higher education.** The committee recommends the Legislature adopt the goal of 20,000 additional credentials and degrees by 2018 along with the policy, student population and credential priorities necessary for the state to reach its attainment goal:
    - Student success (completion)
    - Student progression and persistence (including developmental education)
    - Affordability and productivity (including on-time completion/time-to-degree)
    - Institution differentiation (e.g. research and job placement/workforce training)
    - Priority populations of adult and low-income students; and
    - Priority credentials, starting with Science, Technology, Engineering, and Mathematics (STEM)
- **The framework for the final outcomes-based funding model.** The initial analysis conducted by HEPC shall be the starting framework for the final model, which must maintain:
    - Two distinct formulae; one for CTCS institutions and one for HEPC institutions.
    - Simplicity, with limited metrics aligned to the state's established higher education attainment goals and priorities; and
    - Recognition of varying institutional missions, student progression, priority populations, and priority credentials through refinement of weights.
- **Amount of existing state funding allocated on outcomes:** The committee recommends the Legislature commit to allocating 25 percent of the state's existing allocation to institutions on the basis of outcomes by fiscal year 2019. Allocation to each institution will be based on the proportional share of the outcomes identified.
- **Implementation timeline of outcomes-based funding policy:** Fiscal year 2014 will serve as a pilot year for the state's higher education outcomes-based funding policy. Beginning in fiscal year 2015, 5 percent of the state's existing investment in higher education should be distributed to institutions on the basis of the identified outcome metrics and formula. Each year thereafter, the amount of funding based on outcomes will increase by 5 percent, up to a total of 25 percent of the state's base allocation to institutions by fiscal year 2019.

- **Cumulative impact**: In addition to allocation of existing dollars on the basis of outcomes, West Virginia should commit to distributing any future new investment in higher education through the outcomes-based formula. This cumulative approach has been adopted in other states, such as Indiana, and serves to ensure that the state's higher education finance policy underscores the state's higher education priorities.
- **Institutional Accountability**: To ensure accuracy in the data reported by institutions and used in the outcomes-based funding formula, the state should incorporate a quality control and accountability mechanism that includes an audit of data reporting.
- **Establishment of an outcomes-based funding formula rule finalization committee.** To finalize the details of an outcomes-based funding model for West Virginia higher education, a formula rule finalization committee should be established. This committee should include representatives from the Legislature, CTCS institutions, and HEPC institutions. Among other details necessary to finalize the outcomes-based funding formulae the committee should specifically consider the following questions in terms of the initial formula development conducted by HEPC as directed by the committee:
    - *Metrics and mission differentiation:* Keeping in mind the parameters of a simple formula with limited and clearly defined metrics, are there other metrics that should be included to better align the formula with the state's established priorities and the need to recognize institutional mission differentiation? Specifically, can the formula include metrics within the institution mission priority, such as research (HEPC) and dual enrollment, job placement, and workforce development (CTCS)? Should CTCS institutions be given credit for transfer of students (with at least 15 credits) to HEPC institutions?
    - *Distribution of weights:* Does the distribution of weights both within and across categories most accurately represent the priorities of the state and the mission of the institutions? Are the weights given to the high priority populations enough to encourage the success of these students?
    - *STEM vs. High Needs:* Can the state more accurately define STEM and other high-needs fields to better reflect the economic and workforce needs of West Virginia?
    - *Equity component for CTCS:* An analysis of the current enrollment data and state allocations within the CTCS system revealed fairly significant equity gaps (state funding per full-time equivalent (FTE) ranges from a high of nearly $6,000/FTE to a low of $1,600/FTE). Should the formula include an equity component, phased-in over time, to the CTCS formula that would bring currently under-funding institutions to 90 percent of the state average funding per FTE student? Should this calculation be based on in-state only or on all FTE students?
- **Deadline for final recommendations.** The formula finalization committee's final recommendations should be delivered to the Legislature no later than June 15, 2013.

Appendices:

Appendix A: List of Publications (mini-bibliography)

Appendix B: Chart of State Models

Appendix C: Formula Mock-Up Definitions, Details and Impacts

Appendix D: Institutional Responses to Proposed Outcomes-Based Funding Models

Appendix A: Report Bibliography

Bibliography of Outcomes-Based Funding Research, Reports and Publications

Blanco, C. (2012). *Outcomes based funding.* Atlanta, GA: Southern Regional Education Board. Retrieved from http://publications.sreb.org/2012/Outcomes_Based_Funding.pdf

Complete College America. *Shift to performance funding.* Washington, DC. Retrieved from http://www.completecollege.org/docs/CCA%20Essential%20Steps%20Shift%20to%20Performance%20Funding.pdf

Dougherty, K., Natow, R., Bork, R. H., Reddy, V., & Jones, S. (2010). *Performance funding origins and demise.* New York, NY: Columbia University, Teachers College, Community College Research Center. Retrieved from http://ccrc.tc.columbia.edu/Collection.asp?cid=9

Fingerhut, E. & Kazis, R. (2012). *Tying funding to community college outcomes: Models, tools, and recommendations for states.* Boston, MA: Jobs for the Future. Retrieved from http://www.jff.org/sites/default/files/PerformanceBasedFunding_Ohio_ExSumm_032612.pdf

Harnisch, T. L. (2011). *Performance-based funding: A re-emerging strategy in public higher education financing.* Washington, DC: American Association of State Colleges and Universities. Retrieved from http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf

Miao, K. (2012). *Performance-based funding of higher education.* Washington, DC: Center for American Progress. Retrieved from http://www.americanprogress.org/wp-content/uploads/issues/2012/08/pdf/performance_funding.pdf

National Center for Higher Education Management Systems. (2011). *Performance funding: From idea to action.* Boulder, CO. Retrieved from http://www.nchems.org/pubs/docs/Performance%20Funding%20121411.pdf

National Council of State Legislatures. (2012). *Performance funding for higher education.* Retrieved from http://www.ncsl.org/issues-research/educ/performance-funding.aspx

Shulock, N. (2011). *Concerns about performance-based funding and ways that states are addressing concerns.* Washington, DC: Institute for Higher Education Leadership & Policy. Retrieved from http://www.csus.edu/ihelp/PDFs/B_performance%20funding_05-11.pdf

OVERVIEW OF SELECTED STATE OUTCOMES BASED FUNDING MODELS									
STATE	YEAR	STATE GOAL/ PRIORITIES	INSTITUTION ENGAGEMENT	FORMULA METRICS	MISSION DIFFERENTIATION	PRIORITY POPULATIONS AND DEGREES	AMOUNT OF FUNDING	PHASE-IN/ STABILITY	REFERENCE DOCUMENTS
AR	2013-14	Double number of degrees awarded by 2025. Meet state's economic and workforce needs. Support a system of higher education that reduces redundancy and recognizes unique institutional missions. Maintain/ increase quality of instruction including remedial education.	Legislation provided framework, including priorities, amount of funding and timeline of development/ implementation. AR Board of Regents and Department of Higher Education worked with instituitons to develop formula details.	Includes mandatory and optional measures (# of optional measures for each institutions is TBD). *Four-year institutions*: Mandatory: Bachelor's credentials; total credentials (certificates and up); STEM credentials; Progression. Optional: Course completion; high demand credentials; minority student credentials; nontraditional (adult) student credentials; remedial student credentials; transfer student credentials; patents; expendicture of federal awards; new company start ups. *Two-year institutions:* Mandatory: Course completion (remedial and non-remedial); progression; Credential completion (certificates of proficiency; technical certificates; associate's degrees; completion rate). Optional: STEM credentials; high demand credentials; workforce training credentials; transfers; adult credentials; minority credentials; employment.	Different metrics between two- and four-year sectors and optional metrics institutions may select to align with mission	Optional metrics include minority, adult and remedial education students. Percentage of Pell students receiving credentials is a compensatory measure for four year instituitons. Number of low-income and underprepared students relative to enrollment is compensatory measure for two-year instituions	5 percent of institution base funding in 2013-14; increasing by 5 percent each year to 25 percent in 2018-19.	Yes. 5% annual phase-in	SB 766 (2011) Arkansas 2025
IL	2013	60X25: 60 percent of population with credential by 2025. IL Public Agenda for College and Career Success: Increase attainment to meet best performing states; affordability; increase credentials to meet workforce demands; integrate assessts to meet economic needs of state.	Legislation provided framework including priorities, development and implementation timeline. Did not include amount of funding. Establishment of a Performance Funding Steering Committee. Membership included Lt. Governor, state legislators; higher education leaders; faculty; Board of Education members; business leaders	Four-year institutions: Degrees awarded (bachelors; masters; doctoral); undergraduate degrees/FTE; education and general spending/completion; research and public service expenditures. Two-year institutions: certificate and degree completion; transfer; remedial education; momentum points (12 credit hours; 24 credit hours; adult education and literacy gains).	Four-year metrics weighted differently based on Carengie Classification of institution.	Low-income, adult, black and hispanic students; STEM credentials (all weighted at extra 40%)	Less than 1%; considering higher levels in future years	Small amount will have very limited impact (no gain greater than 0.1%; no loss greater than 0.05%)	HB 1503 (2011) Illinois Board of Higher Education

IN	2007; revisions in 2013	Reaching Higher, Achieving More Strategic Plan for Higher Education: Increase attainment to 60 percent by 2025 (45 percent by 2018); Double number of degrees produced by 2025 (from 60,000 currently to 120,000); Increase on-time graduation.	2011 legislation called for research and recommendations for revisions to current formula to better account for mission differentiation and meet needs of state. IN Commission for Higher Education underwent review of other state models; consulted institutions on metrics; made recommendations for revisions to guide 2013-15 budget recommendations	Revised metrics for 2013-15 budget (% allocation within model) **Degree Completion** (30%): certificates, associate's, bachelor's, masters and doctoral; **At-risk degree completion** (15%)**:** Pell-eligible; **High-impact degree completion** (10%): STEM (4-year institutions only)**, Student Persistence** (15%)**:** 15, 30, 45 credits for two-year instituions; 30, 60 and 90 credits for non-research four-year institutions; **Remediation success** two-year institutions only; **on-time graduation rate** (25%); **institution defined productivity metric** (5%)	Variation in metrics applied to different types of institutions	Low-income (Pell eligible); STEM degrees	Currently 5%; expectation to increase to 6% in 2014 and 7% in 2015.	Three-year rolling average of data; institutional increases	Performance Formula Metrics
NV	2015 (with legislative approval)	Complete College America Nevada: Significantly increase number of college graduates by 2020 - an additional 1,064 degrees annually.	Legislation in 2011 created interim committee to study funding of higher education and examine if NV institutions should be funded based on defined outcome goals. Representation included higher education leaders; business sector; legislators and governors office.	*4-year University Metrics*: Degree Completion (Bachelor's, Master's and Doctoral); Research Expenditures; Transfers-in (w/a associate's degree); awards per 100 FTE. *4-year college metrics:* Degree completion (bachelor's degree); gateway course completers; transfers-in (w/a transferable associate's degree); awards per 100 FTE; *Community Colleges:* Certificate and degree completion (associate's and bachelors'); transfers to 4-year institution (w/24 credits or associate's degree; awards per 100 FTE; gateway course completers.	Metrics differ across sectors (within same priority categories); and some variation of weights w/in sectors	Low-income (pell eligible) and minority students; STEM and Allied Health certificates and degrees. Apply to degree/certificate completion metrics only.	Committee recommended: 5 percent in FY 2015; increase to 20 percent by FY 2018 (5 percent intervals).	Four-year phase-in	SB 374 (2011) Recommendations of the Subcomittee
OH	2009	Ohio Strategic Plan for Higher Education (2008) called for increasing attainment rate of its citizens. Increase number of graduates by 20 percent by 2017.	Ohio Board of Regents led the development of Ohio's policy, included representation of instiution leaders.	*University Main Campuses*: Course (70%) and degree (10%) completions weighted by cost of program. At-risk students and certain STEM fields have higher weight. Maintains funding for graduate and medical education (20%) (distributed through performance-based indicators). *University Regional Campuses:* course completions (90%); degree completions (10%). *Community Colleges:* Student Success Points (developmental education success; 15, 30, 45 credit hours; transfers out (w/at least 15 credit hours)	Three separate formula	At-risk students: academic (ACT score of 17 or less in math or English or participation in developmental education courses) or financial (expected family contribution of $2,190 or less for federal student financial.	100 percent of instructional allocation (former enrollment-based allocation) for four-year instituitons; 5 percent for community colleges.	Stop-loss provision: campuses do not lose more than 1 percent of prior year funding each year. Phased-out over four-years	AEI report

TN	2011	Complete College Tennesse Act of 2010 (CCTA) called for increased educational attainment and development of a master plan that addresses this need through: increased degree production; alignment with economic and workforce needs; and a system of higher education that reduces redudnancy and recognizes role of each institutions mission. Goal: 26,000 additional undergraduate degrees by 2015.	CCTA required state to develop an outcomes based funding model aligned to state's higher education priorities and master plan. Formula Review Committee developed formula details. FRC included legislative representatives; Board of Regents and Higher Education Commission representation; instituion leaders; outside consultants	*4-year metrics:* student progression (24, 48, 72 credit hours); degree completion (bachelor's, master's, doctoral); research grant funding; degrees per 100 FTE; graduation rate. *2-year metrics:* student progression (12, 24, 36 credit hours); remediation success; completion (certificates and associate's degrees); transfers out (w/at least 12 credit hours); job placement; workforce training; dual enrollment; awards/100 FTE	Metrics differ across sectors (within same priority categories); weights at 4-year instituions vary based on Carnegie Classification; weights at 2-year institutions vary based on metrics priority to institution mission	Adult and low-income priority (40% premium); STEM	100 percent of state allocation.	4-year phase in. Design and weighting of formula also results in stability.	CCTA THEC Outcomes-Based Formula resources
TX	2013 (with legislative approval)	*Closing the Gaps by 2015* establishes, among other goals, a goal to increase by 50 percent number of degrees and certificates awarded.	Legislation (HB 9, 2011) provided guiding framework for priorities and parameters. Formula development delegated to THECB and two formula advisory committees (four-year and two-year) with instituitonal representation.	*Community College metrics:*"Momentum Points": **Remedial Education; gateway courses**; **Credit accumulation** (15, 30, core curriculum completion); **Completion** (associate degree, certificate, apprenticeship); **transfers out** to 4-year institutions (minimum 15 credit hours completed) *Four-year institutions metrics:* **Degree completion** (bachelor's); **time-to-degree; degrees/100 FTE; persistence** (30, 60, 90 credit hours completed);	Different metrics between sectors. Four-year model also includes cost-to-degree factor (uses cost-based weights to compensate for varying costs for different degree programs)	*Community Colleges:* use of momentum points *Universities:* pell receipient; GED; adult student priority. STEM	10 percent of state base funding	Three-year rolling average of data	HB 9 THECB Funding Recommendations
WA	2009	Washington State Board for Community and Technical Colleges (CTC) System Direction has three main goals: meet state's economic and workforce demands; increase student success; and leverage innovation for smarter delivery.	Student Achievement Initiative was developed as one strategy to help CTC meet objectives of system direction. Developed with institutions and research from Columbia University Community College Research Center.	Student Success Points: Building toward college-level skills (basic skills gains, passing pre-college writing or math); retention (earning 15 or 30 college credits); math (passing necssary college math courses); completion (certificate, apprenticeship, associate's degree)	N/A applies to 2-year sector only	Momentum points	Less than 5% ($3.5 million over two-years)	Bonus allocation	WA SBCTC Student Achievement Initiative

Appendix C: Formula Mock-Up, Details and Definitions

I. West Virginia Community and Technical College System

Proposed Metrics and Weights

Developmental Education Success				Momentum Points									Degree Completion								On-Time Graduation	
# of students that enrolled in and successfully completed developmental education		# of students successfully completing a college-level gateway course w/in two years of completing developmental education		# of undergraduate degree-seeking students who successfully complete 15-29CH			# of undergraduate degree-seekingstudents who successfully complete 30-44CH			# of undergraduate degree-seeking students who successfully complete 45-59CH			# of 1 year certificates conferred				# of Associate's Degrees conferred				Associate's Degree Earners	
Math	English	Math	English	Total	Adults	Pell	Total	Adults	Pell	Total	Adults	Pell	Total	Adults	Pell	In STEM Field	Total	Adults	Pell	In STEM Field	# completing degree in 2 years	# completing degree in 3 years
1.00	1.00	1.50	1.50	1.00	1.25	1.25	1.25	1.50	1.50	1.50	1.75	1.75	2.00	2.25	2.25	3.00	3.00	3.25	3.25	4.00	4.00	3.25

CTCS Draft Funding Formula - WEIGHTED

	Developmental Education Success		Momentum Points		Degree Completion		On-time Completion		Totals		
	Developmental Success Points	Share of Developmental Success Points	Momentum Points	Share of Points	Degree Completion Points	Share of Points	On-Time Completion Points	Share of Points	Total points	Share of total points	Share of System FTE
Blue Ridge Community and Technical College	420.83	7.78%	2,146.50	12.51%	1,430.33	14.05%	168.25	12.25%	4,165.92	12.21%	10.23%
Bridgemont Community and Technical College	206.33	3.82%	548.00	3.19%	482.75	4.74%	125.25	9.12%	1,362.33	3.99%	3.66%
Eastern WV Community and Technical College	140.67	2.60%	445.33	2.60%	232.17	2.28%	20.25	1.47%	838.42	2.46%	2.22%
Kanawha Valley CTC	513.67	9.50%	1,394.00	8.12%	1,034.67	10.16%	103.67	7.55%	3,046.00	8.93%	7.19%
Mountwest Community and Technical College	689.83	12.76%	1,843.17	10.74%	1,226.25	12.04%	151.58	11.03%	3,910.83	11.46%	10.94%
New River Community and Technical College	720.00	13.31%	2,022.00	11.78%	552.75	5.43%	93.67	6.82%	3,388.42	9.93%	11.89%
Pierpont Community and Technical College	583.17	10.78%	2,068.50	12.05%	1,166.33	11.45%	214.67	15.63%	4,032.67	11.82%	12.59%
Southern WV Community and Technical College	729.00	13.48%	1,686.08	9.83%	791.83	7.78%	178.00	12.96%	3,384.92	9.92%	10.28%
WV Northern Community College	631.33	11.67%	2,328.75	13.57%	1,317.33	12.94%	102.42	7.46%	4,379.83	12.83%	12.37%
WVU at Parkersburg	773.17	14.30%	2,677.58	15.60%	1,949.08	19.14%	216.00	15.72%	5,615.83	16.46%	18.63%
Total	5,408.00	100.00%	17,159.92	100.00%	10,183.50	100.00%	1,373.75	100.00%	34,125.17	100.00%	100.00%
Points by Category	15.8%		50.3%		29.8%		4.0%		100.00%		

Numbers are three year averages (2009-10, 2010-11, 2011-12)

Appendix C: Formula Mock-Up, Details and Definitions

CTCS Possible Funding Schemes		On basis of shares of total points 5% of base	*% Change from FY13*	On basis of shares of total points 2% of base	*% Change from FY13*
		$3,223,927		$1,289,571	
	FY13 State Appropriations	$0		$0	
Blue Ridge Community and Technical College	$5,138,415	$ 5,275,063	*2.7%*	$5,193,074	*1.1%*
Bridgemont Community and Technical College	$3,973,597	$ 3,903,622	*-1.8%*	$3,945,607	*-0.7%*
Eastern WV Community and Technical College	$2,100,509	$ 2,074,692	*-1.2%*	$2,090,182	*-0.5%*
Kanawha Valley CTC	$4,125,664	$ 4,207,147	*2.0%*	$4,158,257	*0.8%*
Mountwest Community and Technical College	$6,352,577	$ 6,404,419	*0.8%*	$6,373,314	*0.3%*
New River Community and Technical College	$6,305,522	$ 6,310,362	*0.1%*	$6,307,458	*0.0%*
Pierpont Community and Technical College	$8,443,703	$ 8,402,498	*-0.5%*	$8,427,221	*-0.2%*
Southern WV Community and Technical College	$9,228,731	$ 9,087,080	*-1.5%*	$9,172,070	*-0.6%*
WV Northern Community College	$7,893,643	$ 7,912,739	*0.2%*	$7,901,282	*0.1%*
WVU at Parkersburg	$10,916,188	$ 10,900,927	*-0.1%*	$10,910,083	*-0.1%*
Total	$64,478,549	$ 64,478,549	*0.0%*	$64,478,549	*0.0%*

II. Higher Education Policy Commission Institutions

Proposed Metrics and Weights

HEPC Metrics & Weights	Momentum Points									Degree Completion										On-Time Graduation		Transfer
	# of Undergraduate Degree-Seeking Students Who Successfully Complete 30-59CH			# of Undergraduate Degree-Seeking Students Who Successfully Complete 60-89CH			# of Undergraduate Degree-Seeking Students Who Successfully Complete 90-119CH			# of Associate's Degrees Conferred				# of Bachelor's Degrees Conferred				# of Master's Degrees Conferred		# of Doctoral Degrees Conferred		Bachelor's Degrees		Transfer in from CTCS institution
	Total	Adults	Pell	Total	Adults	Pell	Total	Adults	Pell	Total	Adults	Pell	In STEM Field	Total	Adults	Pell	In STEM Field	Total	In STEM Field	Total	In STEM Field	# earned in 4 years	# earned in 5 years	
Progressive weight	1.00	1.25	1.25	1.25	1.50	1.50	1.50	1.75	1.75	2.00	2.25	2.25	3.00	3.00	3.25	3.25	4.00	3.50	4.50	4.00	5.00	4.00	3.25	2.00

HEPC Draft Funding Formula - WEIGHTED

	Momentum Points		Degree Completion		On-time Completion		Transfer		Totals	
	Momentum Points	Share of Points	Degree Completion Points	Share of Points	On-Time Completion Points	Share of Points	Transfer Points	Share of Points	Total points	Share of total points
Bluefield State College	1,742.75	3.79%	1,070.50	2.53%	229.33	1.11%	144.67	5.75%	3,187.25	2.86%
Concord University	2,100.17	4.57%	1,325.83	3.13%	945.75	4.58%	37.33	1.48%	4,409.08	3.96%
Fairmont State University	3,805.92	8.28%	2,671.25	6.32%	890.75	4.31%	728.67	28.95%	8,096.58	7.26%
Glenville State College	1,001.17	2.18%	613.42	1.45%	346.33	1.68%	24.67	0.98%	1,985.58	1.78%
Marshall University	8,226.17	17.89%	8,631.33	20.41%	3,174.33	15.36%	733.33	29.13%	20,765.17	18.63%
Potomac State College of WVU	1,201.17	2.61%	489.67	1.16%	-	0.00%	20.67	0.82%	1,711.50	1.54%
Shepherd University	3,297.67	7.17%	2,285.33	5.40%	1,274.83	6.17%	182.00	7.23%	7,039.83	6.32%
West Liberty University	2,012.83	4.38%	1,327.92	3.14%	710.83	3.44%	178.67	7.10%	4,230.25	3.80%
West Virginia State University	2,692.33	5.86%	1,266.67	2.99%	208.92	1.01%	120.67	4.79%	4,288.58	3.85%
West Virginia University	19,080.92	41.50%	22,081.33	52.20%	12,680.92	61.37%	226.67	9.00%	54,069.83	48.51%
West Virginia University Institute of Technology	821.75	1.79%	536.67	1.27%	201.00	0.97%	120.00	4.77%	1,679.42	1.51%
Total	45,982.83	100.00%	42,299.92	100.00%	20,663.00	100.00%	2517.33	100.00%	111,463.08	100.00%
Points by Category	41.25%		37.95%		18.54%		2.26%		100.00%	

Numbers are three year averages (2009-10, 2010-11, 2011-12)

Appendix C: Formula Mock-Up, Details and Definitions

HEPC Possible funding schemes		On basis of shares of total points 5% of base	*% Change from FY13*	On basis of shares of total points 2% of base	*% Change from FY13*
		$13,081,812		$5,232,725	
	FY13 State Appropriations	$0		$0	
Bluefield State College	$6,593,442	$ 6,637,840	*0.7%*	$6,611,201	*0.3%*
Concord University	$10,206,804	$ 10,213,934	*0.1%*	$10,209,656	*0.0%*
Fairmont State University	$17,880,671	$ 17,936,889	*0.3%*	$17,903,158	*0.1%*
Glenville State College	$7,206,804	$ 7,079,501	*-1.8%*	$7,155,883	*-0.7%*
Marshall University	$54,751,921	$ 54,451,419	*-0.5%*	$54,631,720	*-0.2%*
Potomac State College of WVU	$4,690,189	$ 4,656,549	*-0.7%*	$4,676,733	*-0.3%*
Shepherd University	$11,228,474	$ 11,493,277	*2.4%*	$11,334,395	*0.9%*
West Liberty University	$9,322,524	$ 9,352,879	*0.3%*	$9,334,666	*0.1%*
West Virginia State University	$13,612,389	$ 13,435,097	*-1.3%*	$13,541,472	*-0.5%*
West Virginia University	$116,675,384	$ 117,187,495	*0.4%*	$116,880,228	*0.2%*
West Virginia University Institute of Technology	$9,467,640	$ 9,191,362	*-2.9%*	$9,357,129	*-1.2%*
Total	$261,636,242	$ 261,636,242		$261,636,242	

Appendix C: Formula Mock-Up, Details and Definitions

WV DRAFT Funding Formula Definitions

- Developmental Education Success: Number of students passing all (or any?) remedial classes in math or English and number of those students that then pass a college level course in the same subject within two years. Weight of 1.5 applied to all those completing a college level course.
    - English includes English, writing and reading courses.
    - NOTE: We track college level course by looking at students who take a credit bearing in the same CIP code as the developmental.
    - QUESTIONS: Are remedial students completing ANY or ALL? Does the population in the passing college class after remedial include only those that PASSED remedial or any that TOOK a remedial?
- Momentum points: # of students that have achieved certain credit thresholds by the end of an academic year. Three year average from 2009-10, 2010-11, 2011-12.
    - HEPC momentum points are 30-59 (1.0), 60-89 (1.25), and 90-119 (1.5) with additional .25 per category added for adults and Pell recipients.
    - CTCS momentum points are 15-29 (1.0), 30-44 (1.25), and 45-59 (1.5) with additional .25 per category added for adults and Pell recipients.
- Degree Completion: # of degrees conferred by total, by adults (at graduation), by Pell students (anytime), and STEM (can be changed to high need based on input).
    - In CTC formula weights are 2.0 for 1 year certificates and 3.0 for associate's degrees. 0.25 additional weight for adults and Pell, 1.0 additional weight for STEM.
    - In HEPC formula, weights are 2.0 for associate's degree, 3.0 for bachelor's degree, 3.5 for master's degree and 4.0 for doctoral degree. There is a .25 additional weight for adults and Pell students at the associate's degree and bachelor's degree level. There is a 1.0 additional weight for STEM degrees at all levels.
    - NOTE: STEM category is more inclusive (includes category 4) than Data Portal
    - NOTE: This is # of degrees earned, not # of students earning degrees. A concern is that institutions will game this down the line.
- On- Time Graduation: Number of degrees earned on-time or within 1 year of on-time
    - In CTC formula, students who earn an associate's degree in 2 years are weighted at 4.0 (1.0 more than any degree earner). Students who earn an associate's degree in 3 years are weighted at 3.25 (same weight as adult or Pell).
    - In the HEPC formula, students who earn a bachelor's degree in four years are weighted at 4.0 (1.0 more than any degree earner). Students who earn a bachelor's degree in 5 years are weighted at 3.25 (same weight as adult or Pell).
- Transfer: # of students enrolling in a HEPC institution that were previously enrolled at a CTCS institution (ever).
    - NOTE: Top and bottom 3% were eliminated to prevent skewing of data, leaving a population of students that transferred in 7-120 credits.
    - NOTE: HEPC only factor

West Virginia Higher Education Policy Commission
West Virginia Community and Technical College System

1018 Kanawha Boulevard East, Suite 700
Charleston, WV 25301
(304) 558-2101
www.hepc.wvnet.edu
www.wvctcs.org

David K. Hendrickson
Chair

Paul L. Hill
Chancellor

Robert L. Brown
Chair

James L. Skidmore
Chancellor

MEMORANDUM

TO: Senator Robert Plymale, Co-Chair
Delegate Mary Poling, Co-Chair
Select Committee on Outcomes-Based Funding Models in Higher Education

FROM: Paul L. Hill
James L. Skidmore

DATE: December 5, 2012

RE: Institutional Responses to Proposed Outcomes-Based Funding Models

---

This memorandum contains institutional responses to the proposed outcomes-based funding models developed by HCM Strategists at the request of the Select Committee on Outcomes-Based Funding Models in Higher Education. This information was collected by Commission and Council staff at the request of the Select Committee. Institutional input is critical to the long-term success of outcomes-based funding models and has been a valuable element in the development of such models in other states. In addition to the written responses included below, institutional input was solicited during an in-person meeting of college and university presidents held on August 15, 2012, three follow-up telephone calls with four-year presidents, and one follow-up call with two-year presidents. Institutional leaders were asked to respond to five questions:

1. Do you believe the proposed metrics (transfer, developmental education success, momentum points, degree completion, and on-time degree completion) are appropriate?
2. Do you believe the priority student populations (adults (age 25 and over), Pell recipients, and STEM students) are appropriate?
3. Are there additional metrics you would like to see included? If so, please provide specific suggestions you have regarding how the proposed metric would be measured.
4. Do you believe the proposed weights are appropriate? If not, please provide specific suggestions regarding the changes you propose.
5. Please share other specific concerns you have regarding the proposed model and include suggested changes to address those concerns.

Responses from four-year institutions are on pages two through seven, while responses from two-year institutions are on pages eight through thirteen. This memo has been updated to include additional responses submitted in response to the November 27th interim meeting.

Feedback Regarding Proposed Outcomes-Based Funding Models
Four-Year Institutions

1. **Do you believe the proposed metrics (transfer, momentum points, degree completion, and on-time degree completion) are appropriate?**

   - In general, yes. To be effective, it is essential that performance funding metrics focus on the specific outcomes that institutions and the Commission are working to achieve based on campus missions and campus- and state-level strategic plans. The proposed metrics have an appropriate focus on the overall goals of student access and student success.
   - The on-time degree completion metrics are more applicable to the missions of some West Virginia four-year institutions than others. As an example, the first-time, full-time freshman cohort approach does not provide an accurate picture of student on-time degree completion for Bluefield State College. Many of Bluefield State's students enter as transfer students from other institutions and, thus, are not considered as a "success" for the campus when they graduate. Each year, between 67% and 77% of Bluefield State College's graduates are not part of the official, federally-defined cohort. It is important to acknowledge the success of those students. In addition, a large percentage of students at Bluefield State and other West Virginia colleges and universities work full-time, making it very difficult to complete a degree program in four years.
   - Based on these points, we would recommend (a) greater emphasis be placed on degree completion within five or six years rather than four and (b) consideration of an alternate method for reviewing on-time degree completion such as the percentage of each graduating class that has completed their work within five years - moving away from the more limited federal cohort.
   - We are concerned that quality is not addressed in this formula at all.
   - We are concerned that with the possible changes in developmental education that are being proposed to improve success rates and degree completions of developmental students that developmental education is given such consideration in the formula.
   - We agree that consideration should be given to WV resident student completions and successes.
   - I view the metrics as aggregating broad cohorts without regard for apparent subgroups within the cohort, e.g., remote rural, first-generation, supportive home environment, etc. These and other conditions common to the West Virginia landscape can delay, interrupt, or conclude standard academic progress.
   - No, a baccalaureate school should not be disadvantaged because it is complying with statutory provisions re community college education and is completely divorced from either developmental or associate's degrees. If Bluefield/ Fairmont/WVSU want to draw appropriations in support of that, it should be provided through the Council, not the Commission.
   - Yes, the proposed metrics are appropriate, to the point that they are metrics that affect all higher education institutions within West Virginia. However, please

review my answer and supplementary information provided to question number three.

- The proposed model does not take into consideration mission differentiation among the institutions and the cost differentials associated with providing for those differing missions.
- The proposed model does not take into account peer comparisons, which would provide a more equitable mission- based performance comparison.
- The proposed model and points methodology does not provide any consideration for students currently enrolled in graduate and professional programs within the momentum points category.
- Yes.

2. **Do you believe the priority student populations (adults age 25 and over, Pell recipients, and STEM students) are appropriate?**

   - Yes. It is very appropriate to place a high priority on the success of these student populations. It is critical for the state's economic future that adults and Pell recipients complete college degrees. Special resources often are needed to ensure the success of these students.
   - Degrees in the STEM fields are vital to West Virginia's economic growth and development and should be given priority. These fields (particularly technology and engineering) also tend to be associated with a higher cost of delivery.
   - It does not appear that the associate's and bachelor's degrees in nursing/allied health or in math and science teacher education are included in the numbers for STEM degree completers. We recommend including these fields in order to be consistent with the current STEM field listing used with the institutional Compacts.
   - We are concerned that, as in the past, only first-time, full-time cohorts will be addressed in this formula. With institutions such as ours, often students graduate and are successful, but do not fall into any one of those first-time, full-time cohorts.
   - In general, I see the priority student population described over-broadly and without regard for differing institutional student populations, missions, etc. By geography and mission, Glenville State College serves a predominantly – over 2/3s – moderate-income and first generation student body.
   - In general, I view the model as favoring larger schools serving students that are better prepared academically.
   - While the definition of "Pell eligible students" denotes a lack of family financial resources, the link to academic success is most generally the association between financial resources and academic preparation and/or social preparation. Consequently, the model does not reflect lack of academic and/or social preparation for college level work. In other words, there are significant differences in levels of academic preparation that should be reflected in the model.

- In describing students of age 25 and older, are we considering only students who are currently in the work force, those who have returned to college after working, and/or those who are taking considerably longer to graduate?
- No, it is neither fair nor logical to allocate funding for a school for how many Pell-eligible students are in its primary service area. The Federal funding should be separately considered and not part of another reward by the State.
- Yes, I agree with the target student populations.
- The Points Methodology does not provide any consideration for students currently enrolled in graduate and professional programs within the momentum points category.
- Yes.

3. **Are there additional metrics you would like to see included? If so, please provide specific suggestions you have regarding how the proposed metric would be measured.**

- A measure of accredited programs: The percentage of an institution's programs eligible for specialized accreditation that, in fact, are accredited (e.g., teacher education, engineering, nursing, allied health, music, business, etc.). This would be an external validation reflecting quality and also would include several STEM fields such as engineering and nursing.
- A measure of articulation: The number of articulation agreements developed or number of students transferring to an institution as a result of articulation agreements.
- Student success not accounted for in the federal graduation cohort: Consider graduation of students who have transferred to the institution.
- Mission-related measure(s): Each President and Governing Board would identify one or two measures related specifically to that institution's mission and strategic plan that they would be held accountable for achieving.
- The absence of incentives for institutional creativity and initiative is surprising. I cite, for example, Glenville State's expanding Hidden Promise Consortium and the P-20 Summits. Both initiatives parallel the ambitions of performance-based funding, but receive no incentive in the current funding proposal.
- These look like good metrics -- every institution has slightly different mission-driven factors that would be able to be included in a large category called mission-specific functions, but otherwise these seem fair assessments of current needs for the State.
- I believe a research metric should be added to the outcomes-based funding model. This additional criterion would take into consideration the great strides accomplished by West Virginia State University (WVSU) to provide a strong economic impact through our research initiatives. As a designated 1891 land-grant institution, WVSU is mandated within its mission to provide education in a tripartite model of teaching, research, and extension (public service). In fact, WVSU receives $2,817,299 in federal funding of which $1,476,423 is designated

to research activities. Additionally, of the $1,908,000 that is appropriated to WVSU through the state budget as a mandated match by the federal government, $963,135 is designated solely to research activities.

- Furthermore, as mentioned in my answer to question one, the established metrics affect all higher education institutions within West Virginia. They do not, however, consider individual areas for which each separate higher education institution may have a particular focus or expertise and that are not established or even developed at other higher education institutions.
- Finally, as mentioned on the conference call, if a research metric is not included in the outcomes-based funding model, then the federal mandated state appropriation match of $1,908,000 should be removed from the calculations on the Commission resident FTE draft funding formulas, as these funds do not directly correlate to WVSU's resident FTE totals. With the federal mandated state appropriation match included in the calculations, it places WVSU at 95% of equity funding per resident FTE, which eliminates WVSU from eligibility to receive equity funding. However, with the federal mandated state appropriation match removed, West Virginia State University's equity funding percentage becomes 81.03%. If this were the case, it would then be necessary to increase WVSU's base budget by $1,132,348 to bring WVSU's funding to the level necessary to reach the 90% target of the state average of funding per resident FTE.
- The performance model excludes the research and land-grant missions.
    - Given the impact on institutional expenses to fulfill the land-grant mission, as well as Carnegie Classification defined missions related to research, the model should include the institution's entire mission or, it should exclude the funding used to support those mission components.
- Rate statistics should be included to provide context. For example, 4 and 6 year graduation rates, retention rates, and loan default rates are important indicators.

4. Do you believe the proposed weights are appropriate? If not, please provide specific suggestions regarding the changes you propose.

- Yes. They appear to be well aligned with the priorities of access and success.
- They also reflect areas that tend to require higher levels of resources in order to be successful.
- With the important absences of the circulated draft Performance Funding Model, I find a close reckoning with the assumptions premature.
- The weights are fine.
- Yes, the proposed weights are appropriate except that, should a research metric be added to the outcomes-based funding model, as requested in my answer to question three, then weighting of all the metrics would need to be readdressed to accommodate the addition of this new metric.
- No. The model and weights do not consider mission, peers, land-grant responsibilities (including Extension), health care responsibilities, graduate and

professional education missions, and other variables that are strongly related to an institution's funding needs.

- We are concerned that one formula (even with the weighted areas) can truly take into account the differences in the research institutions, regional institutions, and community colleges.
- The weighting system seems to be based on counts rather than rates. This is especially problematic in the area of developmental education. In this weighting system, a school with a large number of developmental education students but a low pass rate would be rewarded with a higher score than a school with a modest number of developmental education students but a higher completion rate.

5. **Please share other specific concerns you have regarding the proposed model and include suggested changes to address those concerns.**

- Consistency in measurement and definition is absolutely critical. It will be important to validate that all institutions are reporting the required data according to the same rules, standards, and definitions before awarding funds based on this model. Periodic data audits would help accomplish this.
- We need to carefully analyze the proposed measures for any potential unintended consequences such as a tendency for institutions to focus on numbers alone (quantity) rather than quality.
- We are concerned that this model proposes to redistribute existing money and not be based on any additional money.
- I urge expanded stakeholder discussions that can make West Virginia's performance-based funding model a national model. I am a staunch advocate of outcomes-focused education accountability. I want, however, to avoid the design flaws of earlier attempts across the nation that obtained confused and conflicting results. I want to assure a West Virginia model that demonstrates our encompassing commitment to wise investment in the long-term success of our students.
- I think the model is a step in the right direction if it is attached to funding. One thing that does not seem to be considered is whether funding already applied to the over-funded institutions could not be reallocated, rather than new equity funding being sought to be provided. That would of course be politically difficult, but it should be an option.
- Of concern, with implementing the proposed model, is the timing of its implementation, especially in light of the state budgetary constraints expected for fiscal years 2014 and 2015 and the recent 7.5% across-the-board budget reduction requested by Governor Tomblin. West Virginia's higher education institutions are truly economic engines for the state, and proposing an outcomes-based funding model to redistribute state funding among the higher education institutions will not stimulate economic recovery in West Virginia. As we prepare our future leaders, educators, and workforce to foster economic job growth in West Virginia, placing a financial burden on the higher education institutions, without a new

revenue source in place to cover the cuts, can only be detrimental to West Virginia's economic future.

- Outcomes-based funding is a positive approach, but it needs to be based on a model on a broader set of factors, such as those stated above, especially when tied to base funding.
- Non-resident students should be treated consistently in various Commission models.
    - Non-resident students were included in the methodology used to determine how much of the system-wide bonds were funded by each institution. Therefore, the system benefits from non-resident students in terms of debt issuance and other funding allocated from such tuition and fees remitted to the Commission. If we exclude non-resident students from the performance model, this would be inconsistent with other funding models used by Commission. (WVU's non-resident students contributed over $2 million to the Commission last year.)
    - Is the model consistent with state code, which seems to prohibit any penalties to enroll non-resident student. Specifically, Section 18B-10-1-j - "A penalty may not be imposed by the Commission or council upon any governing board based upon the number of non-resident who attend the institution…."
- The model suggests that money would be re-distributed for a period of either 5 or 10 years.
    - This means each institution would absorb a 5% budget cut and then receive an additional allocation based on the model. This could add up to significant cumulative reductions for institutions over the long haul.
    - West Virginia is already at the bottom of SREB per student funding appropriations, so any model that further cuts any institution is of concern.
    - Funding uncertainty limits capacity to plan long-term
    - The preference is for a revised model to be used in allocating only new dollars.
- SOME of the HEPC institutions suggested we only include in-state students in the formula but certainly not all. West Liberty, Shepherd, and probably WVU were pleased to see recognition of the efforts made to attract and retain this competitive population.
- Under equity, there were also significant equity issues with some HEPC institutions, namely Fairmont and Shepherd. No one asked whether that equity should disappear, so I was surprised to see it retained for the CTCS and not HEPC. What is the logic behind this decision?

Feedback Regarding Proposed Outcomes-Based Funding Models
Two-Year Institutions

1. **Do you believe the proposed metrics (developmental education success, momentum points, degree completion, and on-time degree completion) are appropriate?**

   - Yes.
   - Yes, all four metrics are appropriate. However, success of developmental education student metrics must be reviewed, as in some programs, there is no required "college-level" math course easily identifiable as the outcomes are integrated into courses not labeled "math"; successful completion of the developmental course is appropriate—but the "next level" course does not apply in all instances. If this is too complex to handle, perhaps developmental education should be eliminated as a metric. The other metrics—momentum points, completion, etc.—are reliant upon success in developmental education courses.
   - Each of the proposed metrics is appropriate to the mission of the community college. However, additional metrics should also be considered. Additional metrics are suggested in the response to question 3.
   - The definition applied to "on-time completion" as completion of an associate degree in two years is counter to the emphasis placed on "graduation" in the Master Plan/Compact which defines graduation rate as the percentage of first time students (full- and part-time) graduating with a certificate or associate degree within six years (see additional response to question 3).
   - Yes, these are highly aligned with the state master plan and federal priorities.
   - Yes.

2. **Do you believe the priority student populations (adults 25 and over, Pell recipients, and STEM students) are appropriate?**

   - Yes.
   - Yes, as our mission is to serve more adults and lower income students as well as encourage more participation in STEM-type programming. However, STEM program definitions need to be more consistent (program titles are different at the colleges; e.g., mechatronics was coded STEM at some colleges but Advanced Manufacturing was not—same concepts and equipment required; Welding Technology was coded as STEM at some colleges and not at others). Consideration of changing the STEM category to high-demand, high-wage based on the direction of the system is also a possibility. STEM student count was not considered in the momentum points calculations (just adults and Pell). This population should be considered in all areas for consistency.
   - The priority student populations identified are appropriate. However, rewarding institutions on the number of students (headcount) will tend to benefit the institutions with larger enrollments regardless of their actual performance in the areas measured by the specific metric. Simply having more students should not

be rewarded in a performance-based model (see additional responses to question 5).

- The emphasis on STEM program students could potentially create a disincentive to work effectively with non-STEM students so that an institution could increase its share of points from this heavily-weighted category.
- Yes. However, it seems that some of the designations of STEM vary on the institutional list. We suggest a review for consistent designation of STEM programs.
- Yes.

3. **Are there additional metrics you would like to see included? If so, please provide specific suggestions you have regarding how the proposed metric would be measured.**

    - No. Keep it simple.
    - Yes, consideration should be provided for specialized programmatically accredited technology programs (e.g., ABET engineering technology) as these are more costly and have higher standards as outcomes for graduates. Health care programs (nursing and dental hygiene—which require programmatic accreditation) are not included—but medical assisting (non-accredited) was counted as a STEM program in some instances which calls to question whether health care is or is not considered "STEM".
    - Community colleges are encouraged to provide customized training and continuing education programs to meet the need of local business and industry. Yet, in the proposed model there is no funding suggested for providing such programs. The number of students/participants receiving state and/or nationally recognized credentials and/or licenses as a result of participating in such education and training programs should be rewarded in any performance-based funding model.
    - We also suggest that transfer to in-state, four-year institutions be considered as an additional metric for the CTCs. This metric would be based on the number of students transferring with weights assigned to the number of hours completed by the student at the CTC at the point of transfer. Potential weighting might be as follows: a minimum of 15 hours completed = 1.00, 30 hours completed = 1.50, 45 hours completed =t 2.00, and 60 hours or more completed = 2.00.
    - We would suggest having a metric that addresses efforts in workforce development. A measure of non-credit workforce program completers is our suggestion.
    - No.

4. **Do you believe the proposed weights are appropriate? If not, please provide specific suggestions regarding the changes you propose.**

    - Yes.

- Suggestion: Change developmental education to 10 percent—with the additional 5.85 percent added to degree completion as that is the ultimate outcome desired—or per above discussion, eliminate this metric totally and add the full percentage weight to degree completion.
- The weights assigned are generally appropriate except in the category of "on-time completion." Most adult students attend part-time. Therefore, weighting completion of an associate degree within two years without considering part-time, adult students who require more time to complete is not appropriate. The CTC Master Plan is based on a six (6) year graduation timeframe. This should be considered in the weighting of **adult** graduation. We would recommend extending the timeframe for "on-time" completion to include 4 years weighted at 2.50; 5 years at 1.75; and 6 years at 1.00.
- Yes, the weights are appropriate.
- No. Most of the community colleges bring in a large percentage of students that need developmental course work. Success in developmental and subsequent coursework is essential to the advancement of students toward completion, and yet in both cases the weights are 1 and 1.5. We believe that the weights should be higher. We suggest raising 1.00 to 2.00 and 1.5 to 2.5. Even these weights do not reflect the importance of the two performance categories. Bringing in students not adequately prepared and helping them successfully complete a college-level gateway course should be weighted heavily. This appears to be the least important formula points awarded when it should be one of the most important factors considered.

5. **Please share other specific concerns you have regarding the proposed formula and include suggested changes to address those concerns.**

- Students who complete our Boot-Camp are not counted as developmental education completers. They should be counted if we can find a way to designate them on our end of semester grade file. At Blue Ridge there are approximately 50-80 students per semester who are placed into college level math and English through our Boot-Camp.
- **Concern:** Cuts to base budgets. The Council Finance Rule recommended PBF with any **new** funding. There are basic costs for basic operations at any college—no matter the size; size of a college can distort the state appropriations funding per FTE. Cutting base budgets creates the same problem as the former RAM-RAP funding model, with no consideration of program mix/costs.
    - **Solution**: Apply PBF on **new** funds allocated to the Council—keep base budgets whole; even a phased-in approach would be detrimental to small institutions with highly technical and more select admission programs.
- **Concern**: Equity based on state appropriations/FTE. The ten institutions are quite different in size, longevity, administrative linkage issues (e.g. no built-up reserves transferred from host institution), and program mix; therefore, the assumption that all should be equally funded based on FTE is inappropriate. Access has been the primary goal since the creation of the system; colleges have

focused on gaining more part-time, adult students rather than focusing on the traditional full-time student.

- **Solution**: Eliminate the "EQUITY" metric and base allocations solely upon "PERFORMANCE" if this is truly a performance-based funding model! If equity must be used, base the model on national peers as recommended in the Council Finance Rule rather than state appropriations equity. National peers were selected based on program mix, location, and size and are more appropriate than assuming all state institutions are the same.

- Inequities in base budget funding must be addressed **prior to** adopting any performance-based funding model.
- Should a performance-based funding formula be adopted, it should only be implemented after the Legislature provides **new funding for this purpose** and not with funds taken from current institutional base budgets.
- The model is largely based on raw numbers of students used in the four outcome measure categories. How does this model address the issue of CTCs that are located in regions with lower and/or declining populations and therefore, lower enrollment? These colleges may be very successful but will still receive a smaller percentage of the funding due to their size when compared to the higher enrollment colleges.
- Our major concern is that the formula is funded via an across the board reduction in state appropriation. We suggest that appropriations be held steady and additional funding be provided for the performance measures.
- A problem that we see is there is no new money. The only thing being attempted is to redistribute state appropriations, which means some institutions will lose money and other institutions will gain extra money. Institutions are pitted against each other for the money. Definitions of data must be consistent across the board, and an independent source should verify the data. Until all of the community colleges receive full funding, it is only creating a more competitive environment for the institutions in the state. Community colleges have to maintain the operations of the institution on their limited resources which in many cases include several buildings, deferred maintenance cost, utilities, etc., which are fixed costs. None of these are considered in this model. If the emphasis is on college completion, then why are we concerned about enrollment? We have no problem with giving incentives to institutions that can increase their enrollment, but don't penalize community colleges in rural areas that are unable to increase enrollments due to the downturn of the economy.

Additional Comment: 1

(1) The West Virginia Community and Technical College System (WVCTCS) has a current rule in place (Series 2) which outlines an innovative, performance-based funding system that aligns with the WVCTCS Master Plan: ***Meeting the Challenge.***

(2) This rule addresses the allocation of funding to the institutions to address: (a) state priorities; (b) sustain quality; and, (c) attain peer equity. Among the state priorities is an emphasis on enrolling, retaining, and graduating students, particularly those who require

developmental education and adults. The rule also includes language that places additional emphasis on the development, expansion, and sustainability of high-demand, technical programs.

This rule has been adopted by the WVCTCS with an understanding, and general agreement among the community and technical colleges, that, under current provisions of the rule (see **§135-2-4**), **"only new state funding"** will be used to fund any performance-based model. The model under consideration is based on institutions contributing to a funding pool from existing base budget allocations. This expectation is not in compliance with Series 2.

The goals of this rule state that **any new funding** appropriated by the Legislature will be used:

- To address state priorities and that allocations for this purpose will be distributed in a manner that is most likely to maximize achievement of that priority **across the Community and Technical College System;**
- To ensure sustained quality with funds being allocated on an **equal percentage basis** or by utilizing an allocation formula **unless there are disparate needs**; and
- To address equity with these funds through **utilizing a formula that compares relative funding of West Virginia community and technical colleges and their peer institutions nationally and devotes greater amounts of funding to community and technical colleges that are farthest away from their peers.**

(3) With the expectation that no new State funding will be appropriated by the Legislature to implement the performance-based funding system, the implementation of any formula without new allocations would be contrary to the spirit of the existing Series 2-WVCTCS Legislative Rule.

With these factors considered, New River is opposed to the implementation of a performance-based model that is funded through the currently underfunded base budgets of the institutions. To expect a severely underfunded institution, such as New River, to contribute any level of its existing state allocation to support a performance-based formula at the sacrifice of basic operational costs is not sound in its reasoning.

Additional Comment: 2

If equity is the goal for redistributing state allocation/FTE to community colleges, then two factors ought to be considered in the calculations e.g. (1) tuition rates, (2) capital fees.

The three original stand-alone community colleges have the highest appropriation/FTE, but they have the lowest tuition and they are limited to a $100 capital fee. The newly formed community colleges are generating more operating revenue from tuition and capital fees thus supplementing funds lost by a lower appropriation.

Recommendation: When considering a redistribution of state appropriations/FTE, factor in the additional revenue generated by the higher tuition and capital fees to get a total picture of a college.

If the calculations do not incorporate total revenue sources, the older community colleges will lose equity. In all older community colleges, tuition will need to be increased significantly. In addition, the colleges close to border states will be unable to raise tuition because of competition from those states. If the current plan to reallocate state appropriations is implemented, the older colleges with their lower tuition and capital fees will lose funding with limited options to regain funding losses. In order to avoid future inequities, the formula must include all revenue streams.

Reasons for removal of non-degree students with credit hour courses in state reporting

- students who are not degree seeking are not eligible to receive financial aid
- students who are non degree seeking should not be counted in completion agenda and are excluded from most of the metrics for funding
- students who are not degree seeking, even if they have prior college, is not reflected in any information as in most cases their transcript work is never submitted therefore we do not have a full picture of our student population
- students cannot move from non-degree to degree seeking without completing the admissions process due to amount of extra information needed (such as test scores, placement assessment, high school GPA and graduation year, etc)
- non-degree seeking programs (short term programs) allow for a quick approval process for funding in programs such as HEAPS Workforce or Veterans benefits and therefore can be implemented quickly therefore their courses for these programs are transcripted separately and course descriptions are not detailed in the College catalog
- most non-degree students come to the college to only complete a course or two. They never intend to seek a degree.

Additional Comment: 3

My concern is the across the board 5% that is deducted from allocations for each institution. We will have to pay the largest share because our allocation is the largest and yet we just made progress towards per FTE funding. It seems to happen each time...we make no progress, whereas, schools receiving less will experience increases if they meet the necessary targets. I think we should look at a model where the decrease is based on a target of funding per FTE and those who are "fat" in state allocations per FTE should experience the greater decrease. My students and my operations are affected in major ways when my allocation is decreased by such large percentages.