

# Outcome Based Funding Proposal Summer 2017

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*(draft by J. Fox, T. Fernández, M. Meyer)*

1. The funding process based on outputs (OBF), where outputs are described as successful completion of a defined degree or certificate, is designed to provide ongoing annual funding of new money to replace the former funding formula based on enrollment (EWA) and as a sort of an incentive funding process. As we examine an improved funding process, some have conflated ongoing funding—formerly EWA and now OBF, both of which are outside of Maintenance of Current Operations (MCO, e.g., annual ongoing base funding)--with achieving the aspirational 60% Goal. In fact, achieving the 60% Goal depends on many factors, prime among them improving the go-on rate from high school to post-secondary education (right now, Idaho hovers at about 50% of high school graduates who go on to college of some kind). Where colleges and universities come into play in the pipeline is recruiting, retaining, and graduating those students who come to the institutions. In other words, achieving the 60% Goal will happen when more high school graduates choose college than are doing so now and when more who enroll in post-secondary education complete their educational goals in a timely manner and move into Idaho's workforce. OBF should be geared toward recognizing that latter post-secondary role.
2. If stable and based on annual new money, OBF could possibly replace line item requests since OBF funding could be used by institutions to improve recruitment, retention, and ultimately increase timely completion resulting in more graduates annually. This has the

additional positive opportunity for schools to develop ongoing multiyear plans based on OBF monies that would be more or less consistent.

3. OBF funding could start with a \$10M annual base commitment from the state. In the SBOE proposal from 2016 and in support of the Governor's Adult Completer proposal, there was a request to include an additional \$3M for adult completers which could be folded into the total here. As certificate and degree completion increases, perhaps a formula-driven additional amount would be added to the fund (in other words, the dollar amount per degree could increase at a defined rate of increase to be added to the base amount).
4. As such, OBF is not intended to be competitive between the eight higher education public institutions in Idaho. Each school will be funded according to increases or decreases based on an annual increase or decrease from the previous year. (Alternatively, the funding could be based on a rolling multi-year average.)
5. Moreover, OBF is intended to encourage schools to enhance good efforts where schools are already working to improve recruitment, retention, and timely completion of defined degrees and certificates. Again, it is important to remember the output of more degrees and certificates depends in large part on the increased number of students coming into the pipeline after high school, and possibly increasing adult completers. Increased outputs aligning with increased new money funding is itself incentive.
6. The allocation model could award dollars based on a defined time to program completion. As mentioned above, while the process considers traditional students, it may be efficacious to also consider funding an "Adult Completer" scholarship for returning students who are re-entering the workforce or who are seeking new training. In any case,

the OBF pool could be distributed based on the total number of completers in the system, weighted by the following program length factor:

- X dollars for a one-year Certificate completer,
  - 2X dollars for a two-year Certificate or Associate's (AAS, AA, AS) degree completer,
  - 4X dollars for a four-year Bachelor's degree completer.
7. The plan of "skin in the game" through taking a percentage of allocated base funding to be put in a risk pool and distributed to schools based on greatest accomplishment is flawed. Schools in populous areas such as the Treasure Valley will see larger increases in populations than rural areas (i.e., the rest of the state). Under this plan, it would stand to reason reallocated "skin in the game" funds would go to BSU and CWI. OBF is not meant to be punitive. Each school should "compete" with itself, and if any one school's funding from OBF decreases, it will be as a result of that school's declining output. No school would logically be satisfied with that outcome, especially considering the importance and urgency of the 60% Goal.
8. To address possible decreases in output in a given year, there should be a cap of 2% OBF (3% 5%?) to any institution in any given year. (Is it efficacious to establish an upper cap? Achieving the 60% Goal requires maximum output effort.) The "baseline" could be a multi-year average (EWA was a rolling three-year average) or simply the prior year's output.
9. Part of the funding mechanism would be a weighting system based on type of degree or certificate (i.e., defined certificates = \$, associate's degrees = \$\$, bachelor's degrees = \$\$\$, graduate degrees = \$\$\$\$, etc.).

10. The weighting system could be further defined by degrees in critical educational and skill-based areas via “skill-stacks” or badges (e.g., programmers, welders, cyber security), underserved populations (e.g., males 18-20, Hispanic), and even regional considerations (e.g., workforce focus in northern Idaho, for instance). A caveat is that any weighting for a designated degree or certificate has to consider time to completion where certain certificates may take a year while graduate degrees in engineering may take up to six years.
11. Any enhancement of weighting by type of degree as listed above in 8 and 9 could be generated as part of a multi-year plan (see 8) by a committee convened by the State Board of Education to include policy makers, the business community, the public post-secondary institutions, and other stakeholders. This advisory group would meet on an annual or every other year basis.