



# Board of Regents University System of Georgia

Funding Formula Revision  
Performance Funding  
March 18, 2014

*"Creating A More Educated Georgia"*



## Current Formula

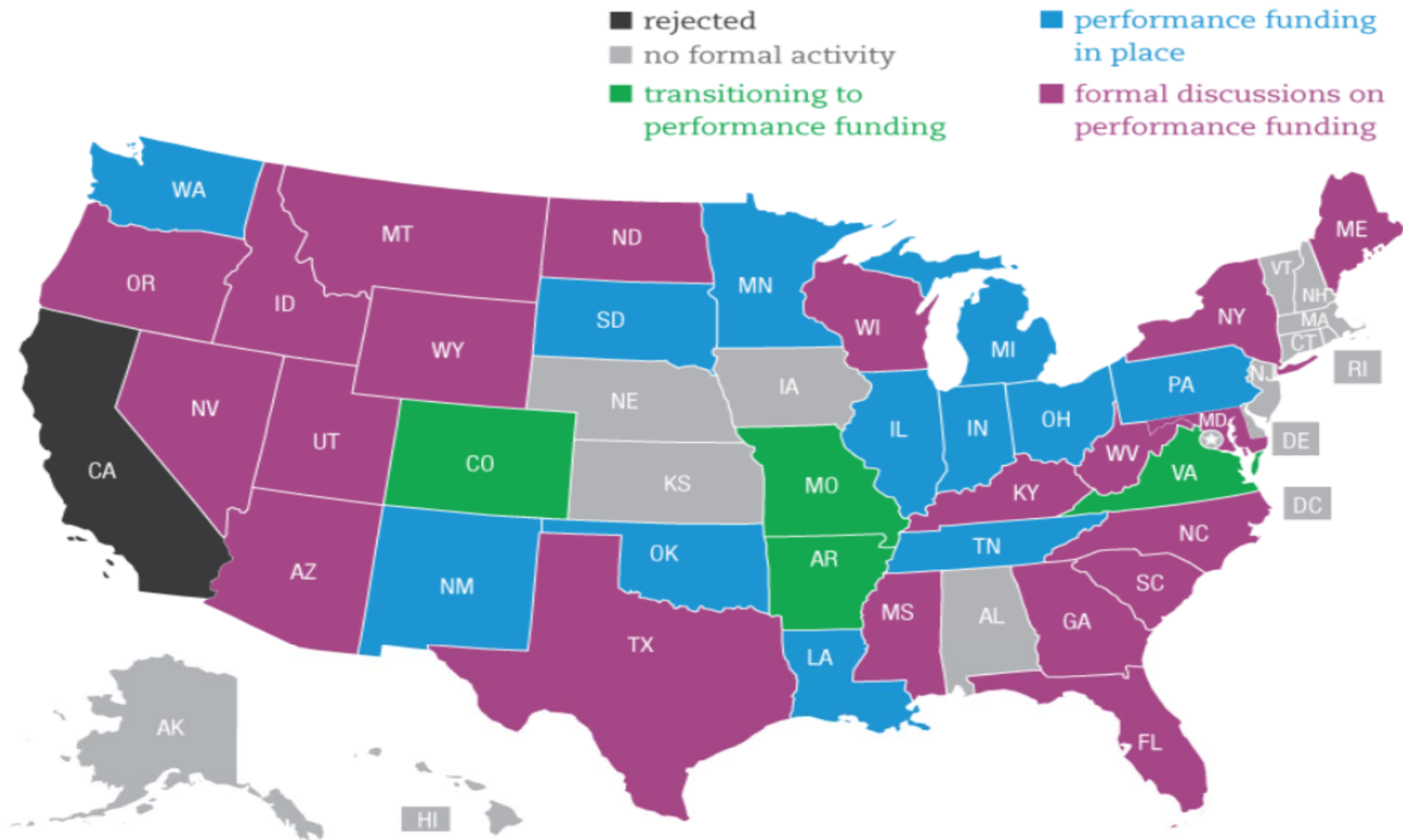
- Current “Formula for Excellence” in place since 1982
- Appropriation Formula to Calculate “Lump-Sum”
- Agreement Between Executive and Legislative Branches
- Formula Variables (Semester Credit Hours, Square Footage, and Fringe Benefits)
- Formula Decline (Inflation, Missing Components, Reductions)
- Formula Mathematical State Fund Shortfall = \$1.2 Billion
- State Funds – Tuition ratio: once 75% - 25% (now ~50% - 50%)
- Formula Revision Overdue



## Other States

- Enrollment-based formula has been the traditional method of funding education in most states
- Most states are now exploring or implementing outcomes-based/performance-based formula
- Reasons cited:
  - Ongoing budget reductions
  - Improve quality – progression and completion
  - Economic development need for more graduates
  - Measure return on investment
  - Legislative expectations

A growing number of state are shifting to some form of performance-based funding, recognizing the importance of linking the dollars to student success . Tennessee uses an all-in approach.





# Frequent Measures

- Degrees Awarded/Credentials Earned
- Progression (Checkpoints)
- Course Completion
- Remediation Completion
- Graduation Rates
- Transfers
- Research Funding
- Remedial Student Credentials
- Low-Income Student Credentials (Pell)
- STEM/Critical Fields Credentials
- Non-traditional Student Credentials (Age 25+)

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# Funding Commission

- Demonstrated need for formula review
- Governor established the Higher Education Funding Commission by Executive Order – October 2011
- Review of University System and TCSG
- Higher Education Funding Commission charge:
  - Incentivize Outcomes Rather Than Enrollment
  - Link Funding to Complete College Georgia (CCG) objectives
  - Establish Framework for an Outcomes-Based Formula
- Seven Commission Meetings
- Final Report – December 12, 2012



# Considerations

- Complete College Georgia
- Focus on Quality: Increase Educational Quality While Increasing Completion and Attainment
- Respect for Institutional Mission and Minimize Mission Creep
- Formula Simplicity
- Alignment Degree Production to Workforce Development



# Recommendations

- Higher Education Funding Commission recommended an outcomes-based funding formula (Tennessee model)
- Commission established a Framework – not the details of new formula
  - Rewards Progression, Degrees and Certificates Conferred
  - Incentivizes Target Populations (Low-Income, Adult Learner)
  - Allows for incentives based on sector and state priorities (i.e. STEM initiatives, etc.)
  - Addresses fixed costs such as M&O as a separate calculation
  - Uses SREB average salary as multiplier plus factor to addresses increases in health insurance and fringe benefits

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# Future Study

- Add First-Generation Students as an Incentivized Population
- Methods of Funding Dual-Credit Programs to Ensure Students “Move On When Ready”
- Separate Study/Formula: Medical Education Funding



# Activity Since Commission Report

- Engage CBO's to Develop Detailed Formula:
  - Discuss Commission Recommendations
  - Finalize Measures and Definitions
  - Verify Data Availability/Capture
  - Develop Model (Test to Balance to Appropriation)
  - Identify Potential Issues and Problems
- Engage with OPB and House/Senate Budget Offices
- Work with Governor on Adequate Funding Base
- Present to Board and Presidents (And Others)
- Finalize Model By Spring 2014 (FY 2016 Budget Request)



# Performance Funding Formula

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## “Ground Rules”

- Performance Funding Begins – FY 2016
- Performance Generates Earnings – Except Fixed Costs
- Final FY 2015 Formula Converted to Performance
- Conversion – Likely Zero Sum/Near Zero Sum \$\$
- Work During 2014 Session to Ensure Adequate Base
- State Funds Only Formula (No Tuition Policy)
- New Formula a Request Formula – Still Provides for Appropriation and Lump Sum
- Institutional Allocations Determined by the Board
- Performance/Formula Will Factor in Allocation

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# Measures

- Progression/Retention Measured at 15, 30, 60 and 90 Hours (Approximately 40% to 50%)
- Completion/Degrees Conferred (50% to 60%):
  - Certificates, Associates, Bachelor's, Master's, Specialist
  - Learning Support Completion
  - Transfers Out (Primarily Access Institutions)
- Potential Bonus Measures (Future Study):
  - Strategic Initiatives
  - Critical Fields
  - Pass Rates



# Special Weighting

- Provide Additional 10% Weighting
- Special Populations:
  - Low-Income (Pell As Proxy)
  - Non-Traditional (Age 25 or Over)
- First Generation Learners (Future Study)



## Components (Independent of Performance)

- Maintenance and Operations
  - Square Footage
  - Rate Per Sq. Foot (Maintenance, Utilities, Physical Plant)
- Fringes Benefits
  - Health
  - Retirement: TRS, ORP and Retirees
- Research?
- Medical Education Funding



# Organization

- Organization By Sector:
  - Research Institutions
  - Comprehensive Universities
  - State Universities
  - State Colleges Balanced Bachelor/Associate
  - State Colleges Associate Dominant
- **Unique Weighting By Sector**
- Sector Priorities Vary by Progression/Completion Measure





# Data and Formula Elements

Outcomes Data (Three-Year Moving Average)

X

Formula Weight (Data Points Conversion)

X

Sector Priority

X

SREB Average Salary By Sector

=

Funding Per Measure

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## Formula Continued

$$\begin{aligned} & \text{Sum of Funding Per Measure} \\ & + \\ & \text{Fringe Benefits (Health/Retirement)} \\ & + \\ & \text{Maintenance and Operations} \\ & + \\ & \text{Research} \\ & = \\ & \text{Total Formula Earnings} \end{aligned}$$

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## Number of Students Graduating with a Bachelor Degree

Institution	All Students			Students with Pell at Any Time in College			Adult Learners (25+)		
	2008-2009	2009-2010	2010-2011	2008-2009	2009-2010	2010-2011	2008-2009	2009-2010	2010-2011
GRU	285	275	230	106	109	88	118	101	76
GRU - Medical	285	275	230	106	109	88	118	101	76
Research Universities	12,241	12,627	13,335	3,685	4,038	4,742	2,136	2,078	2,229
Regional Regional & Comprehensive Universities	8,313	8,714	9,007	3,423	3,792	4,228	2,579	2,534	2,597
Balanced Bachelor's & Master's State Universities	4,492	4,598	4,919	1,897	2,024	2,301	1,469	1,512	1,674
Bachelor's Dominant State Total	2,486	2,664	2,881	1,515	1,749	1,985	1,083	1,209	1,309
Balanced Bachelor's & Associate State Colleges	773	890	1,223	394	489	693	441	497	671
Associate Dominant State Colleges	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>28,590.00</b>	<b>29,768.00</b>	<b>31,595.00</b>	<b>11,020.00</b>	<b>12,201.00</b>	<b>14,037.00</b>	<b>7,826.00</b>	<b>7,931.00</b>	<b>8,556.00</b>
<b>3-Year Average</b>									
GRU - Medical			263			101			98
Research Universities			12,734			4,155			2,148
Regional Regional & Comprehensive Universities			8,678			3,814			2,570
Balanced Bachelor's & Master's State Universities			4,670			2,074			1,552
Bachelor's Dominant State Total			2,677			1,750			1,200
Balanced Bachelor's & Associate State Colleges			962			525			536
Associate Dominant State Colleges			0			0			0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>29,984</b>	<b>0</b>	<b>0</b>	<b>12,419</b>	<b>0</b>	<b>0</b>	<b>8,104</b>
GRU - Medical			283						
Research Universities			13,365						
Regional Regional & Comprehensive Universities			9,316						
Balanced Bachelor's & Master's State Universities			5,032						
Bachelor's Dominant State Total			2,972						
Balanced Bachelor's & Associate State Colleges			1,068						
Associate Dominant State Colleges			0						
<b>Total</b>	<b>0</b>	<b>0</b>	<b>32,036</b>						



**Example reflects 3-year moving average and provides additional weights for Pell and Adult Learner credentials (10% bonus for each).**

**Sector: Research Universities**

	Data	Formula Weight	Weighted Points	Sector Priority	Total Points	SREB Salary Multiplier	Funding Amount	Funding per Outcome	
Students Accumulating 15 Hours	-	-	-	0.0%	-	\$ 86,699	\$ -	-	
Students Accumulating 30 Hours	12,699	0.38	4,762.13	5.0%	238.11	\$ 86,699	\$ 20,643,574	1,625.61	
Students Accumulating 60 Hours	15,625	0.38	5,859.38	10.0%	585.94	\$ 86,699	\$ 50,800,195	3,251.21	
Students Accumulating 90 Hours	36,139	0.38	13,552.13	15.0%	2,032.82	\$ 86,699	\$ 176,243,353	4,876.82	
Students Successfully Completing Remedial Courses	2	0.10	0.20	0.0%	-	\$ 86,699	\$ -	-	
<b>Progression Total</b>				<b>30.0%</b>					
Students that earn a Certificate	45	0.25	11.25	2.0%	0.23	\$ 86,699	\$ 19,507	433.50	
Students that earn an Associate's Degree	-	-	-	0.0%	-	\$ 86,699	\$ -	-	
Students that earn a Bachelor's Degree	13,365	0.24	3,140.78	50.0%	1,570.39	\$ 86,699	\$ 136,151,026	10,187.13	
Students that earn a Master's/Ed Specialist Degree	6,028	0.60	3,616.80	9.0%	325.51	\$ 86,699	\$ 28,221,565	4,681.75	
Students that earn a Doctoral/Professional Degree	1,909	0.60	1,145.40	9.0%	103.09	\$ 86,699	\$ 8,937,453	4,681.75	
Students - Transfer Out	12	0.15	1.80	0.0%	-	\$ 86,699	\$ -	-	
<b>Awards Total</b>				<b>70%</b>					
<b>100%</b>							<b>Total Outcomes Funding</b>	<b>\$ 421,016,673</b>	

<b>Fringe Benefits</b>	
Health Insurance and Retirement	112,879,686

<b>Research</b>	
Research Funding	To Be Determined

<b>Maintenance and Operations</b>	
Plant Operations Funding Rate	\$ 5.1782
Utilities Funding Rate	\$ 2.1340
M&O Funding Rate	\$ 7.31
Resident Instruction Square Footage	22,812,000
Maintenance and Operations Funding	\$ 166,805,906
Percent Funded By State	75%
<b>Maintenance and Operations Funded By State</b>	<b>125,104,430</b>

<b>Fringe Benefits</b>	
Outcomes Funding	\$ 421,016,673
Fringe Benefits	\$ 112,879,686
Maintenance and Operations Funded By State	\$ 125,104,430
Research Funding	\$ -
<b>TOTAL FY13 STATE FUNDS REQUEST</b>	<b>\$ 659,000,789</b>

<b>FY 2013 Original Allocation</b>	<b>\$ 659,000,029</b>
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**Sector: State Colleges Associate Dominant**

	Data	Formula Weight	Weighted Points	Sector Priority	Total Points	SREB Salary Multiplier	Funding Amount	Funding per Outcome
Students Accumulating 15 Hours	12,337	0.18	2,220.66	5.0%	111.03	\$ 53,354	\$ 5,924,055	-
Students Accumulating 30 Hours	16,754	0.18	3,015.72	10.0%	301.57	\$ 53,354	\$ 16,090,072	960.37
Students Accumulating 60 Hours	9,359	0.36	3,369.24	20.0%	673.85	\$ 53,354	\$ 35,952,486	3,841.49
Students Accumulating 90 Hours	2,022	0.32	647.04	5.0%	32.35	\$ 53,354	\$ 1,726,109	853.66
Students Successfully Completing Remedial Courses	949	0.13	123.37	10.0%	12.34	\$ 53,354	\$ 658,228	693.60
<b>Progression Total</b>				<b>50.0%</b>				
Students that earn a Certificate	530	0.13	68.90	10.0%	6.89	\$ 53,354	\$ 367,609	693.60
Students that earn an Associate's Degree	3,727	0.18	670.86	30.0%	201.26	\$ 53,354	\$ 10,737,919	2,881.12
Students that earn a Bachelor's Degree	-	1.00	-		-	\$ 53,354	\$ -	-
Students that earn a Master's/Ed Specialist Degree	-	1.00	-		-	\$ 53,354	\$ -	-
Students that earn a Doctoral/Professional Degree	-	1.00	-		-	\$ 53,354	\$ -	-
Students - Transfer Out	5,881	0.08	470.48	10.0%	47.05	\$ 53,354	\$ 2,510,199	426.83
<b>Awards Total</b>				<b>50%</b>				

**100% Total Outcomes Funding \$ 68,042,623**

<b>Fringe Benefits</b>	
Health Insurance and Retirement	11,663,530

<b>Research</b>	
Research Funding	N/A

<b>Maintenance and Operations</b>	
Plant Operations Funding Rate	\$ 5.1782
Utilities Funding Rate	\$ 2.1340
M&O Funding Rate	\$ 7.31
Resident Instruction Square Footage	3,345,604
Maintenance and Operations Funding	\$ 24,463,726
Percent Funded By State	75%
<b>Maintenance and Operations Funded By State</b>	<b>18,347,794</b>

<b>Fringe Benefits</b>	
Outcomes Funding	\$ 68,042,623
Fringe Benefits	\$ 11,663,530
Maintenance and Operations Funded By State	\$ 18,347,794
Research Funding	\$ -
<b>TOTAL FY13 STATE FUNDS REQUEST</b>	<b>\$ 98,053,947</b>

<b>FY 2013 Original Allocation</b>	<b>\$ 98,047,520</b>
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## “How Much Will I Get?”

- Approximately the Same Amount as in FY 2015?
- Conversion – Near Zero Sum \$\$
- FY 2016 Request Based on Rollup of Performance
- Allocation in FY 2016 – Likely Stable
- Performance Must Become A Factor!
- Phase-In of 3 years?? (Both Earnings and Disparities)
- Compete Against Self (Prior Performance)
- Compete Within System (Given Limited State Resources)
- State Fund Only Formula (Not Tuition)
- Allocation By Board

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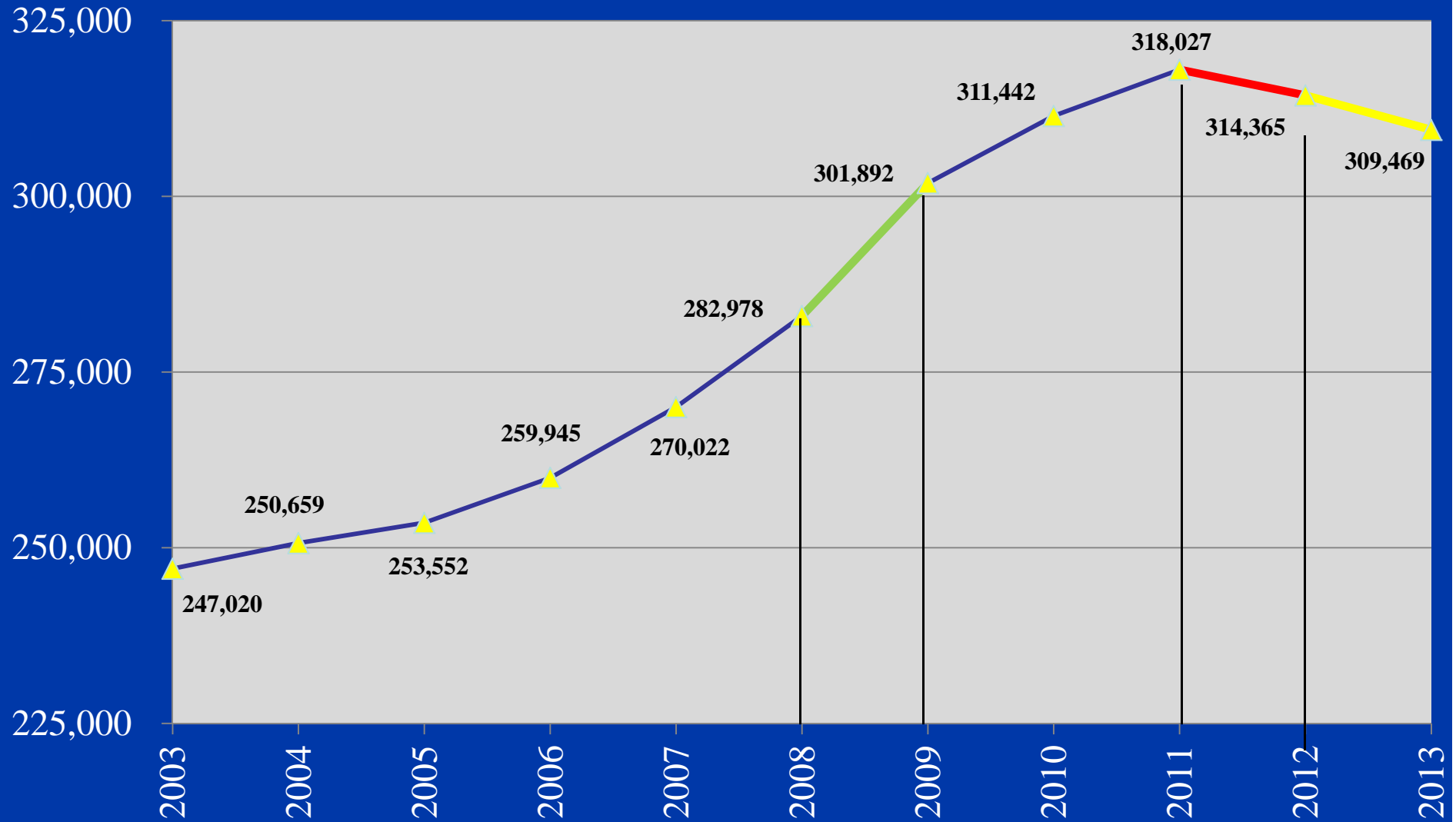


# Advantages

- Outcomes model linked directly to Complete College Georgia
- Outcomes are counts rather than rates and does not depend on an initial cohort
- Includes any outcome achieved by any student at any time (part time, returning students, transfers, etc.)
- No imposed targets or pre-determined goals
- Formula not prescriptive in how to achieve success and excellence
- Each institution's calculation is independent of other institutions
- Should provide for more stable funding vs. enrollment

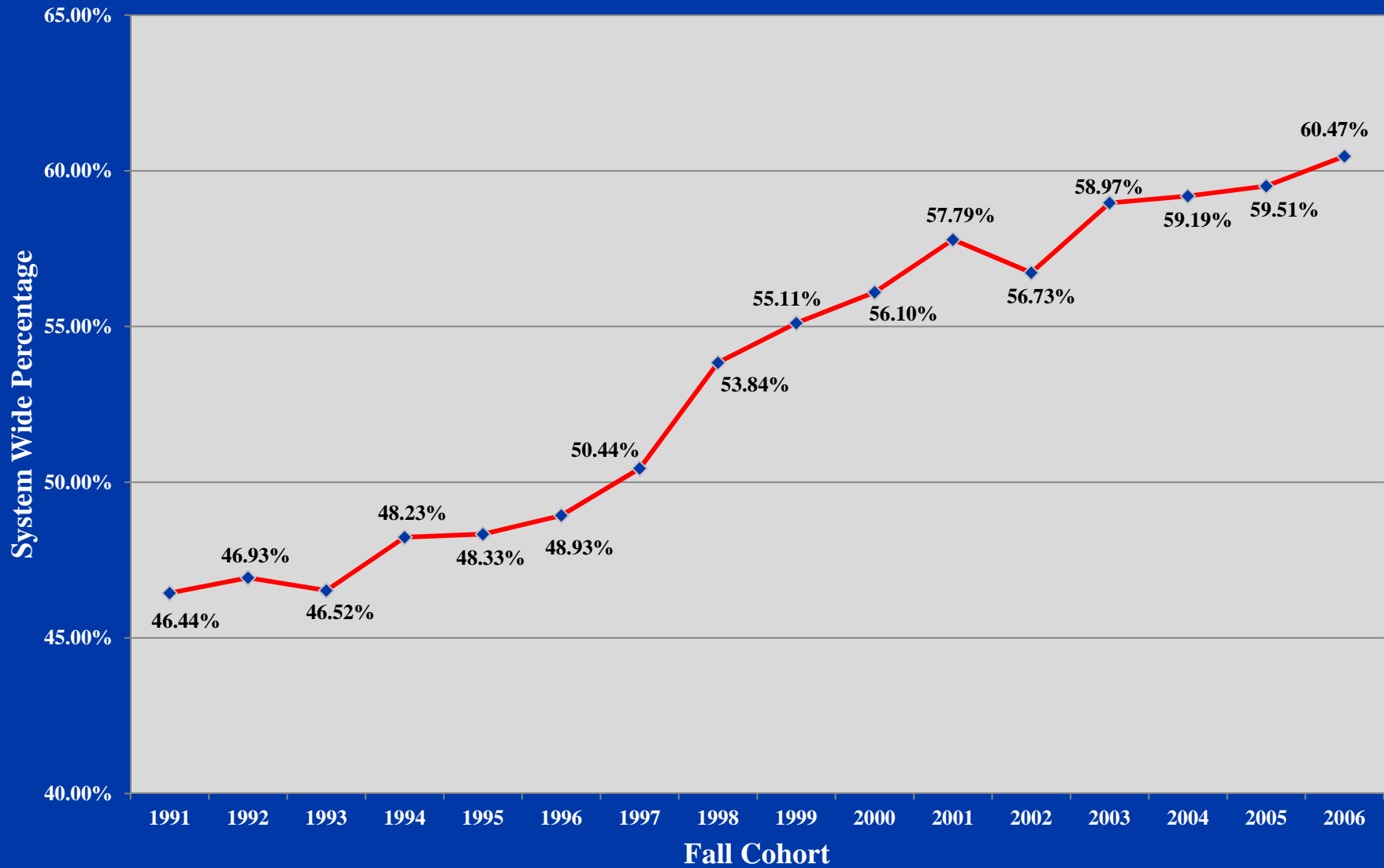
# University System Enrollment

## Fall Headcount Enrollment





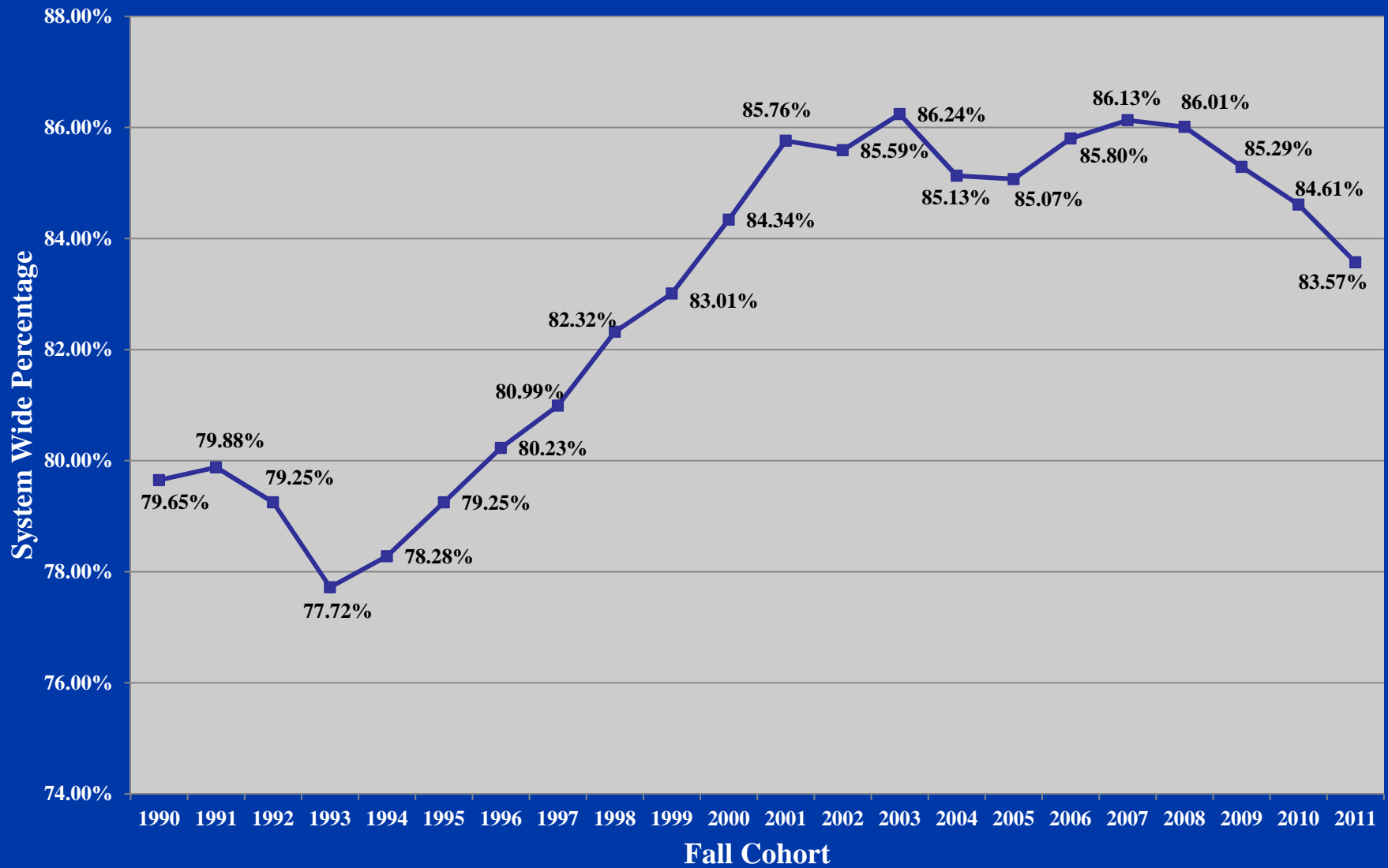
# Bachelor's Degree Six-Year Graduation Rates First-Time Full-Time Freshman



# University System Awards/Degrees Conferred



# Bachelor's Degree One-Year Retention Rates First-Time Full-Time Freshman





## Next Steps

- Continue to work with the Governor, Office of Planning and Budget, General Assembly, House Budget Office, and Senate Budget Office
- Model and Finalize Formula
- Regular Updates with Presidents, Provosts, Chief Budget Officers, and Others
- Board Briefing Once Final
- Possible Training Workshops



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