MUS Performance Funding
## FY 2016 and FY 2017

Request for Approval

Model Overview
(see Appendix A for detailed summary)

1. The potential allocation for each campus is based on its share of the system's 3-year resident FTE average

2. Each sector (flagship, 4-yr and 2-yr) has a unique set of **metrics** (see Appendix B/C)

3. Metrics are measured annually and compared to prior 3-year average. Metric values are <u>weighted</u> and <u>indexed</u> to a standard scale of 1,000 points

4. Bonus points are awarded for under-represented groups:

   - American Indian | Veterans | Pell recipients | Non-traditional age

5. To receive the full PF allocation, a campus must meet an established target

   - Score <u>above 1,000</u> represents improvement; score <u>below 1,000</u> represents regression

   - Campuses must meet growth target to receive full funding (ex. 1% growth = 1,010)

   - Improvement is determined based on the composite results of all metrics, rather than independently on individual metrics

Model Overview (cont.)

6. A transitional-loss zone is created to account for random, non-systematic fluctuations in the metrics

   - Campuses that fall below the target, but within the transitional-loss zone receive a portion of the eligible funding amount (Partial PF Allocation)

	No PF Allocation	Partial PF Allocation	Full PF Allocation

Funding Amount →

Minimum   **Target**

Transitional-loss zone
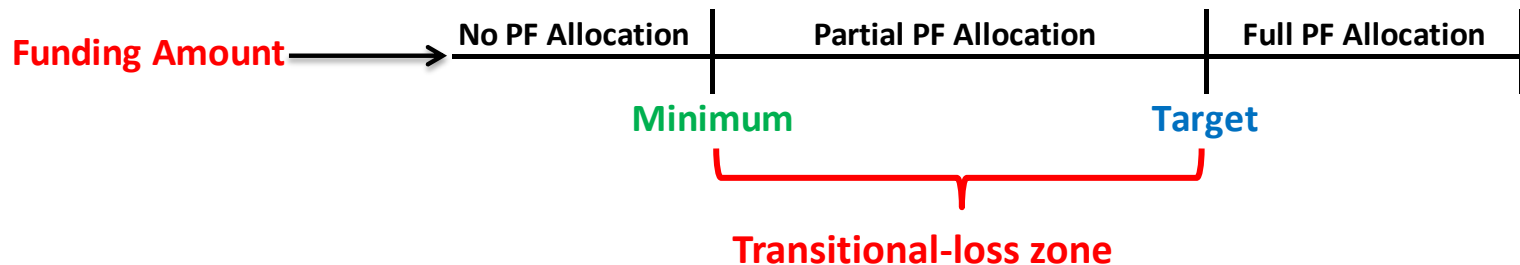
7. Earn-back opportunity in year-two (if a campus falls short of its target in the first year of the biennium)

   - Year-<u>one</u> residual ➔ earn-back in year-two

   - Year-<u>two</u> residual ➔ Board-approved need-based aid reserve

Performance Funding Decision Points

1) Performance Funding Pool

2) Performance Metrics

3) Metric Weights

4) Growth Target

5) Bonus Point Calculation

6) Transitional-loss Zone

7) Residual Funds

#1)   Performance Funding Pool

Tuition Freeze MOU Language
The MUS will continue with performance funding and commit to allocating a total of **$30,000,000** to the MUS Educational Units through a performance-based funding model in the next biennium (FY16 and FY17).

Recommendation:
FY 2016 = $15M   FY 2017 = $15M

#2)   Performance Metrics

➢ Approved by the Regents in May 2014

➢ Slight adjustments made to 2-year metrics

➢ Updated metrics: Appendix B

Recommendations:

- **Adjust 2-year campus retention rates from spring to fall, to fall to fall**
- **2-year campus menu reduced to two metrics: remedial success and credit accumulation**

#3)   Metric Weights

PFSC RECOMMENDED METRIC WEIGHTS

METRICS	Flagships	4-year Regional	2-year Colleges
Undergrad Degrees & Certificates	30%	50%	30%
Retention Rates	30%	50%	30%
Early College Enrollment			15%
Graduate Degrees & Certificates	20%		
Research Expenditures	20%		
2 - year College Menu			
Success in Remedial Ed.			12.5%
Credit Accumulation			12.5%
Weights for Underrepresented Group Metrics			
Undergrad Degrees & Certificates	37.5%	50.0%	50%
Retention Rates	37.5%	50.0%	50%
Graduate Degrees Awarded	25.0%		

Recommendations:
Accept PF Steering Committee recommendations

#4) Growth Target

➢ To receive the full performance funding allocation, campuses must meet an established growth target

➢ Example: (from Regional 4-year Campuses)

Compare current to previous 3 years
Current Retention Rate = 73%, Previous 3-yr average = 72%
Current # of degrees awarded = 300, Previous 3-yr average = 290

Index metrics to standard scale of 1000
73% / 72% * 50% * 1000 = 507
300 / 290 * 50% * 1000 = 517
                                              1024

Recommendation:
Growth Rate = 1% or 1010

#5)   Bonus Point Calculation

➢ Bonus points are awarded for student success in under-represented groups:

- American Indian | Veterans | Pell recipients | Non-traditional age

➢ A multiplier is used to calculate weights of bonus points

➢ Example for Undergrad Degrees and Certificates (using .25 multiplier)

- If an under-represented student is in 1 category = .25 of a completion
- If an under-represented student is in 2 categories = .5 of a completion
- If an under-represented student is in 3 categories = .75 of a completion
- If in all four categories, the under-represented student equals the addition of 1 extra completion.

Recommendation:
Use .25 multiplier to calculate bonus points

#6) Transitional-loss Zone

➢ Because there is natural random variation in the metrics, a campus's observed score may vary over time by chance and not because of systematic efforts on the university's part.

➢ To account for random variation without unduly punishing a campus, there is a transitional-loss zone based on the standard deviation of the overall score (including the bonus) over the last five years.

Recommendation:
Accept PF Steering Committee recommendations

#7)   Residual Funds

➢ If a campus falls short of its target in the first year of the biennium, it has the opportunity to earn back those funds by making gains in year two.

➢ Campuses that fall short can apply for a portion of the funds to be granted back to them for targeted improvement in specific areas (e.g. retention).
  ▪ Plans must be approved and monitored by OCHE

➢ Funds left at the end of the biennium will be swept into a Board-approved need-based aid reserve to be allocated through normal state need-based aid processes, in support of retention and degree attainment.

Recommendation:
Accept PF Steering Committee recommendations

Performance Funding Model Summary

1. Each campus is eligible to receive a share of performance funding based on its three-year resident FTE average (FY13-15).

2. Each sector (doctoral, four-year, and two-year) has a unique set of metrics. All campuses share two metrics – retention and undergraduate degrees awarded. The other metrics allow for mission differentiation.

Metric	Doctoral	4-year	2-year
Undergraduate Degrees & Certificates Awarded	X	X	X
Retention Rate	X	X	X
Early College Enrollment			X
Graduate Degrees & Certificates	X		
Research Expenditures in $100,000	X		
2-year College Menu			X
Success in Developmental Education			
Momentum Points - Credit Accumulation			

3. The metrics are measured annually, with performance funding allocated on the basis of the most recently available data when the model is run in Spring compared to the prior three year average. The metrics are then indexed to a standard scale so that they can be appropriately weighted and combined to yield an overall score centered on 1000. Scores above 1000 indicate growth, scores below 1000 indicate decline, and a score of 1000 indicates no overall change from the prior three year average.

4. To mitigate concerns about neglecting under-represented groups in order to pursue growth, retention and completion of students who are Pell recipients, non-traditional age, American Indian/Alaska Native, and veterans, are counted in a bonus calculation similar to the overall index above. If the bonus increases over the prior three-year average, the institution can add the increase in points to their overall score.

5. To receive the full performance funding allocation established in 1 above, the campus must meet an established growth target. If the campus does not hit the growth target, they do not get full funding.

6. Because there is natural random variation in the metrics, a campus's observed score may vary over time by chance and not because of systematic efforts on the university's part. To account for random variation without unduly punishing a campus, there is a transitional-loss zone based on the standard deviation of the overall score (including the bonus) over the last five years. Campuses with little natural variation will have smaller standard deviations, and those that fluctuate widely year to year will have larger standard deviations. In all cases, movement outside the zone will more likely reflect systematic change, rather than the random fluctuations of the observed data.

7. Campuses that fall below the growth target but stay within the transitional-loss zone will receive a portion of the eligible funding amount, pro-rated for their proximity to the growth target.

8. If a campus falls short of its target in the first year of the biennium, it has the opportunity to earn back those funds by making gains in year two. Any funds left after year two of the biennium, the residual, will be swept into a Board-approved scholarship reserve. Those funds would be allocated through a process to be determined as state need-based aid to resident students, in support of retention and degree attainment.

   a. Alternative: in year two, any remaining residual may be swept into a new Board-approved performance funding reserve at the Board's discretion. Campuses may be eligible to earn back shortfalls from year two in the first year of the following biennium.
   b. Under this alternative, any funds remaining after two years, regardless of the biennial cycle, would be swept into the scholarship reserve as above.

9. The model will be assessed every biennium and revised if necessary to address changes in the strategic priorities of the Board, impacts of the environment, and newly measurable metrics that address Board priorities.

METRICS	Flagships MSU & UM	4-year Regional UMW, MT Tech, MSUB, MSUN	2-year Colleges Missoula, Great Falls, Highlands, Helena, City, Gallatin
Undergrad Degrees & Certificates	X	X	X
Retention Rates	X	X	X
Dual Enrollment			X
Graduate Degrees & Certificates	X		
Research Expenditures	X		
2-year College Menu (select two)			X

2-year College Menu (select two)
Success in Remedial Education
Credit Accumulation

Underrepresented/At Risk Populations
1) American Indians
2) Pell Recipients
3) Veterans
4) Non-traditional Students (25+ yrs.)

> Weights for underrepresented/at risk populations will be applied within the following metrics: 1) Undergraduate Degrees & Certificates Awarded, 2) Retention Rates, and 3) Graduate Degrees & Certificates Awarded.

14

DEFINITIONS

Back to

METRICS	DEFINITIONS
Undergraduate Degrees & Certificates Awarded	Annual number of undergraduate degrees and certificates awarded. Includes two and four degrees, as well as one-year certificates (CAS) and less than one-year certificates (16 to 29 credits, Cert of Technical Studies - CTS*) awarded at 2-year colleges.
Retention Rates	Fall to Fall retention rates for both 2-year and 4-year Colleges. The cohort will include all incoming undergraduates: new full- and part-time first-year students as well as new full- and part-time transfer students.
Early College Enrollment (Dual Enrollment)	Annual number of high school students (age 19 or younger) enrolled in at least one college class; fall term unduplicated number plus spring term unduplicated number.
Graduate Degrees & Certificates Awarded	Annual number of graduate degrees and certificates awarded, including graduate-level certificates, masters, 1st professional, and doctoral degrees.
Research Expenditures	Annual expenditures for research from all sources except current unrestricted funds (tuition and state support).
2-year College Menu	2-year Colleges will select two metrics from the following menu:
Success in Remedial Education	Total number of students who complete college level English and/or Math courses with a grade of C- or higher after completing a remedial course.
Credit Accumulation - Momentum Points	First-time, full-time students completing 24 or more credit hours within their first academic year AND first-time, part-time students completing 12 or more credit hours within their first academic year.
Underrepresented/At Risk Populations (Weighted Subcategories)	There will be special weighting in the allocation model of successes by specific access groups, specifically Pell-eligible students, American Indian students, non-traditional age students, and veterans.