HIGHER EDUCATION COORDINATING COMMISSION

COMMUNITY COLLEGE FUNDING MODEL REVIEW AND RECOMMENDATIONS

2023

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Executive Summary

Oregon Revised Statues (ORS) 350.075(3)(f) charges the Commission with the responsibility and authority to establish, via administrative rule, the formula by which state funding is distributed to community colleges. The Community College Support Fund (CCSF) Formula Review Workgroup was charged with the review and examination of Oregon's existing formula for alignment to, and support of, Oregon's higher education goals. The Workgroup was advisory to HECC staff.

The Workgroup included 26 members appointed by college presidents and other stakeholder groups. The HECC hired a third-party facilitator to help engage with workgroup participants. The workgroup met 13 times from March 2022 through early February 2023, totaling approximately 36 hours of meeting time. Public updates were provided to the Commission during nine meetings of its Funding and Achievement (F&A) subcommittee from August 2021 through December 2022.

The workgroup provided a range of important perspectives that inform the HECC staff recommendations. Members reached common ground on principles including the need to focus more on underserved student populations which includes adult learners, those pursuing career and technical workforce education, and those who typically experience the highest barriers to success. Workgroup members recognized the formula could be more student-centered in its alignment with the state's existing adult attainment goal and in its promotion of equitable student success.

Workgroup members developed a framework for the formula that maintains much of the existing design while adding two, student-centered components: one for student support and one for student success. The four populations prioritized within both additional components include low-income learners, adult learners, career/technical workforce education seekers, and traditionally underrepresented learners as identified by race/ethnicity. Staff recommends eventually distributing up to 10% of total funding through these two, additional components.

The proposed formula redesign will lead to a more student-centered funding formula providing additional resources for prioritized populations who often face the highest barriers to success. The recommendations build on the strengths of the current formula, align with state higher education goals, and center equitable student success.

Informed by the Oregon Equity Lens[1] and in an effort to counteract potential unintended consequences, the proposed formula incentivizes credential completions by prioritized populations in the student success component of the formula while also providing necessary support funding up front.

[1] https://www.oregon.gov/highered/policy-collaboration/Pages/equity-success.aspx

Background on Funding Models

Most states did not routinely provide public funding for higher education until the early 20th century. Doing so took off in earnest after World War II. In the beginning, most states sought to reimburse institutions for coursework delivered, assuming that tuition and fees would cover some of the cost. This shared approach was, and still is, very common.

Enrollment-based models were the primary method by which states distributed appropriations for higher education institutions until the 1970s. Generally, public institutions received funding for either the number of students served or the number of courses attempted. Essentially these models attempt to reimburse institutions for costs incurred. Their focus is on the finances of the institution. Many states, including Oregon, still use this approach to some or great extent.

In the 1990s, states experimented with different approaches that focused on the inclusion of performance indicators that attempted to reward institutions for contributing to broader state priorities. This reflected a philosophical movement from focusing solely on student access to focusing also on student completion (or success), in accordance with state higher education goals that had started to emphasize the latter. Many of these early attempts at performance funding failed due to overly complex metrics and too little funding devoted to rewards for performance/completion.

Inputs based models have given way to outcomes-based models driven by accountability expectations and in the pursuit of better alignment with state goals.

In the early 2000's, and especially since the great recession, additional states have modified their formulas to include student success and completion measures in an effort to align with state goals such as increased educational attainment and the closing of achievement gaps. Many of these models built on the failures and successes of the earlier performance funding attempts. As of March 2020, 28 states had incorporated student progress/completion outcomes of some kind for the distribution of funds to two-year institutions.[2]

Funding Models Across the Nation

In thirty states, student enrollment is a factor in how funding is distributed to postsecondary institutions within either the community college or four-year university sector, or both.[3] Some state formulas include weights for higher-cost coursework or programs. Some include weights for preferred credentials or training programs in high demand.

[2] http://hcmstrategists.com/resources/driving-better-outcomes-fiscal-year-2020-state-status-typology-update/, Page 8

[3] Eric Syverson, Erin Whinnery, and Sarah Pingel, *50 State Comparison: Postsecondary Education Funding*, Education Commission of the States, July 2020.

Many states recognize the importance of successfully serving underrepresented students. There is variation in the definition of what constitutes underrepresented students. However, most states with funding policies for two-year institutions do not consider student characteristics such as socioeconomic status, race/ethnicity, or nontraditional/adult student status. Similarly, most states do not have policies established for allocating funding based upon participation in developmental or remedial education.[4]

Recently, the Washington State Student Achievement Initiative (SAI) concept, adopted in 2007, has become a model for some other states. Based on work done in conjunction with the Community College Research Center at Columbia University, the idea is to identify key academic benchmarks that students must meet to successfully complete degrees and certificates. These levels of achievement are called "momentum points" because each one is likely to propel students to another level of achievement.

The achievement levels are meaningful for all students across:

- Demographic characteristics (race, age, income, employment status)
- Academic program or entering skills levels (basic skills, remedial, workforce education, academic transfer)
- Intensity of enrollment (part-time or full-time)
- Type of institution attended (urban, rural, large, small)

Milestone Area	**Momentum Points**
Building towards college-level skills	- Basic skills gains – increase in skill level based on a standardized test - Passing a pre-college writing or math course that would qualify student to advance
First year retention and progress	Earning 15 then 30 college-level credits
Completing college-level math	Passing a math course required for either a technical or academic associate degree
Second year retention	Becoming workforce or transfer ready (45 college-level credits)
Completion	Degrees, high-value certificates, apprenticeship training

Two innovations in particular distinguish the SAI from previous performance funding models. First, the SAI measures and rewards colleges for students' intermediate achievements along the pathway toward completion in addition to rewarding them for completion. The metrics

[4] E-mail response from Carlos Jamieson, Education Commission of the States, September 24, 2021.

incorporate measures of achievement for students starting in adult basic skills or remediation, so that colleges are not at a disadvantage for serving disadvantaged students. Colleges are rewarded momentum points when students attain educational milestones along the path to a degree which considers student success as a continuous, rather than discrete, outcome.[5]

The second innovation is that it gives colleges data to help them understand where students are struggling along the pathway through college and what changes might improve their forward momentum. The SAI was designed to provide data to guide colleges in identifying barriers to student progression allowing them to take the necessary steps to remove them in order to increase student completion rates.

The design principles[6] to consider for effectiveness are that:

- Colleges should be rewarded for improvements in student achievement.
- Funding should be structured so that colleges compete against themselves for continuous improvement rather than competing against each other.
- Funding should be stable, predictable, and cumulative over time.
- New funds provide the greatest incentive.
- Funding rewards student success and becomes a resource for adopting and expanding practices leading to further success.

In practice, colleges earn points every time a student reaches a level of achievement. The total points are then used to allocate funding. The states that have adopted this type of model use it to distribute a portion of total state support. That portion may be as low as 5-10% and is not anywhere higher than 20-25%. Three examples are highlighted below.

Washington state allocates five percent of the total state allocation to momentum points with additional recognition for historically underserved students.

The Washington State model allocates five percent of the total state allocation to momentum points. Colleges are funded based on their share of points in three categories: total points, points per student, and completions. They also recognize the achievement gaps of historically underserved populations by providing additional points when these students achieve certain milestones.

Another example of a similar model for community colleges is used in Ohio. Half of the total funding is allocated based on cost-weighted, course completions. This is the enrollment driven component; however, the basis is not just enrolled students but completed courses.

[5] Davis Jenkins and Nancy Shulock, *Metrics, Dollars, and Systems Change: Learning from Washington State's Student Achievement Initiative to Design Effective Postsecondary Performance Funding Policies*, Community College Research Center, March 2013, p 4.
[6] Ibid, p 8.

Ohio allocates 50% based on course completions, 25% based on degree or certificate completions and transfers, and 25% based on momentum points. Premiums are included for historically underserved students.

Twenty-five percent is allocated based on cost-weighted completions. This includes students earning associate degrees. Students earning certificates of 30+ hours are also included at half the weight of associate degrees. Students transferring to four-year universities with 12 credit hours or more are also included at one quarter the weight of associate degrees.

Twenty-five percent is allocated to momentum points. These metrics include 12/24/36 earned credit hour benchmarks and developmental math/English completion with subsequent enrollment in a college-level math/English course. Premiums are provided for outcomes earned by students in access categories including adult learners, low-income, underrepresented minority, and academically underprepared students.

Another example is California. They recently adopted a revised formula with a momentum points component. Their Student Centered Funding Formula (SCFF) includes three components. A base allocation which largely reflects enrollment, a supplemental allocation based on the number of students receiving a state financial aid grant or Pell grant, and a momentum points allocation.

The momentum points allocation is based on outcomes that include the number of students earning associate degrees and credit certificates, the number of students transferring to four-year universities, the number of students who complete transfer-level math or English within their first year, the number of students who complete nine or more career education units, and the number of students who have attained the regional living wage.

California allocates 70% of funding to the enrollment driven base allocation, 20% for the equity based supplemental allocation, and 10% based on momentum points.

Outcomes Based Funding Models

The terms outcomes-based funding (OBF) and performance-based funding (PBF) are sometimes used interchangeably. The policy goal is to hold institutions more accountable for student success. Under outcomes-based funding, states tie a portion of appropriations to public institutions to student progression or outcome metrics, such as credit hour attainment, retention, and credential completion. This reflects a philosophical movement from focusing state financial resources solely on student access to include student success as well.

Tennessee launched what is considered the nation's first PBF system for higher education in 1979. PBF implementation since then has been broadly characterized in prior research by two waves: a first wave of adoptions in the 1990s that was largely abandoned as state budgets declined after the 2001 recession and a second wave in the mid-2000s.

Many of the early attempts at performance funding during the 1990s failed due to overly complex metrics and too little funding. The later attempts, often called outcomes-based funding, built on the failures and successes of the earlier attempts. They include student success and completion measures in an effort to align with state goals such as increased educational attainment and the closing of achievement gaps.[7]

During 2020, as many as 33 states had PBF policies that existed either through state legislation or higher education agency approval, and 41 states have had PBF policies in place at some point since 1997. Funding for PBF models increased in more than half of the states during the pandemic. PBF funding makes up about 10% of operating funding on average across the states with more than 90% in five states and less than 1% in five more.[8]

A systematic synthesis of 52 research articles published between 1998 and 2020 concludes that "PBF adoption is generally associated with null or modest positive effects on the intended outcomes of retention and graduation, but there is also compelling evidence that PBF policies lead to unintended outcomes related to restricting access, gaming of the PBF system, and disadvantages for underserved student groups and under-resourced institution types."[9]

This is because variations in policy design and implementation are associated with variations in the effects of outcomes-based models.[10] The variation in effects may also be connected to the length of time a policy has been fully implemented. Researchers have found positive impacts in later years, suggesting that policy response takes time and outcomes should be assessed after a reasonable period of implementation.[11] [12]

Additional challenges exist in determining the impacts of outcomes funding due to external factors such as state investment and enrollment changes. Performance funding often gets adopted when the overall economy is poor which coincides with state disinvestment.[13] Meanwhile, shifts in enrollment and the demographics of students can impact the number of degrees earned.

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[7] Kelly Rosinger, Yahya Shamekhi, Junghee Choi, Nicholas Voorhees, Justin Ortagus, and Robert Kelchen, *Performance Funding for Higher Education: Current Evidence, Unanswered Questions, and How New Data Can Inform Policy*, Policy Brief, InformEd States (May 2021).
[8] Kelsey Kunkle, Performance-Based Funding Allocations for Public Higher Education Institutions, Fiscal Years 2020 and 2021, SHEEO (2021).
[9] Justin Ortagus, Robert Kelchen, Kelly Rosinger, and Nicholas Voorhees, *Performance-Based Funding in American Higher Education: A Systematic Synthesis of the Intended and Unintended Consequences*, Educational Evaluation and Policy Analysis (December 2020).
[10] Amy Li and Alec Kennedy, *Performance Funding Policy Effects on Community College Outcomes: Are Short-Term Certificates on the Rise?* Community College Review (2017).
[11] Nicholas Hillman, Alisha Hicklin Fryar, and Valerie Crespin-Trujillo, *Evaluating the Impact of Performance Funding in Ohio and Tennessee*, American Educational Research Journal (2017).
[12] Nicholas Hillman, David Tandberg, and Jacob Gross, *Performance Funding in Higher Education: Do Financial Incentives Impact College Completions?* The Journal of Higher Education (2014).
[13] Amy Li, *Covet Thy Neighbor or Reverse Policy Diffusion: State Adoption of Performance Funding 2.0*, Research in Higher Education 58 (7) (2017).

Finally, the fact that multiple faculty and staff members contribute to a student's success makes it difficult to determine precisely whether or not improvements in student outcomes can be credited to a specific employee's actions, such as a change in their teaching practice, course content, or advising style. Considering the Washington State model, faculty and administrators indicated they had little way of knowing if the changes they made in their day-to-day activities were the reason for better student performance.[14]

As to why so many states have adopted OBF models, to quote one prominent researcher directly, "Overall, performance funding catalyzes positive institutional actions to prioritize student outcomes."[15] Dr. Russ Deaton, with the Tennessee Board of Regents, who helped develop Tennessee's current OBF model back in 2009, explained it this way: "[The institutions] were always focused on graduation and getting students jobs – now state finances reflect that. It has allowed our presidents to invest in areas that have demonstrable impact on student outcomes."[16]

The effect of outcomes-based models on institutional behavior is well documented.[17] Outcomes-based models influence institutions through financial incentives, awareness of state priorities, and awareness of institutional performance.[18] Examples of specific responses include an increased focus on outcomes, demonstrated by the reformation of academic policies such as developmental education, the implementation of degree pathways and the expansion of certificate offerings, revisions to strategic plans, and increases in institutional support staff. Other responses include altering advising and counseling systems, implementing early academic alert systems, changing tutoring and orientation programs, and the increased use of data analytics.[19] [20]

It is important to note that the potential unintended consequences can be mitigated. Policy design matters. One practice often used to curtail the unintended consequences of restricting access or gaming the system is to add incentives, also referred to as premiums, equity metrics, and bonus funding, for institutions to serve historically disadvantaged or underrepresented students. Research suggests that doing so helps counteract these negative effects. As a result, institutions often develop mentorship programs and create scholarships specifically for students of color and low-income students.[21]

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[14] Amy Li, *The Point of the Point: Washington's Student Achievement Initiative Through the Looking Glass of a Community College*, Community College Journal of Research and Practice 41 (3) (2017).
[15] Amy Li, *Lessons Learned: A Case Study of Performance Funding in Higher Education*, Third Way (2019).
[16] Liann Herder, *A New Funding Formula*, Diverse: Issues in Higher Education (December 2022).
[17] https://www.obfequitytoolkit.org/m2-3-selecting-student-groups
[18] Kevin Dougherty and Associates, *Implementing Performance Funding in Three Leading States: Instruments, Outcomes, Obstacles, and Unintended Impacts*, Community College Research Center (2014).
[19] Amy Li and William Zumeta, *Performance Funding on the Ground: Campus Responses and Perspectives in Two States*, TIAA Institute (2016).
[20] https://www.obfequitytoolkit.org/m2-3-selecting-student-groups
[21] Amy Li, *Lessons Learned: A Case Study of Performance Funding in Higher Education*, Third Way (2019).

Another practice is to include incentives for STEM degrees, or the academic programs deemed important for the region more broadly defined. Evidence shows that compared to institutions without any performance funding, attainment in the identified fields is improved by the prioritization in the funding formula.[22]

Other than design, funding stability over time, while embedding performance funds into the base budget, and simplicity in that a smaller set of metrics are used to allocate funding, are better for long-term support.[23] Also, the use of progression metrics to incentivize the steps students take on the path to success can be helpful.

Oregon's Community College Funding Model

The Community College Support Fund (CCSF) is the state's primary funding vehicle for Oregon's 17 community colleges, providing about one-third of their general funding in a given year. The funding model used to distribute CCSF appropriations is based on enrollment using a three-year rolling average, provides a base payment for stability, and equalizes the total public resources (state funding and local property tax revenue) per FTE.

The model is based on enrollment using a three-year average, provides a base payment for stability, and equalizes the total public resources per FTE.

The principles of the funding model include access by which the funding follows the student; quality to ensure adequate funding per student; equality in which total public resources per FTE are equalized and protected from erosion using growth management; and stability by which a three-year weighted average is used along with a base payment.

There are three components including categorical funding, base funding and enrollment funding. Categorical funding is taken off the top to support certain programs. Base funding provides stable, predictable funding for basic district operations and is weighted to provide sufficient resources to smaller districts.

Enrollment funding considers total public resources (i.e. state funding plus local property tax revenue) to ensure equality of funding per student, a three-year weighted average to ensure stability, and a growth management component (i.e. a stop-gain mechanism) to prevent the erosion of funding per student to provide predictability.

Categorical funding consists of four set asides that total $10.0M during the 2021-23 biennium representing 1.4% of the total CCSF. They are:

[22] Ibid.
[23] Dennis Jones, *Outcomes-based Funding: The Wave of Implementation*, National Center for Higher Education Management Systems (2013).

Corrections - A program which allows prisoners to take community college courses. The state pays a portion of this cost, and the overall allocation to this program increases at the same rate as the overall CCSF. This program is set at $2.5M for the 2021-23 biennium.

Contracts Out of District (COD) - This program pays for a relatively small number of students from regions of Oregon that are not in a community college service district (such as Harney County) to take classes offered by a neighboring community college district. The cost of coursework is reimbursed to the offering district. This program has been funded at $300,000 the past three biennia.

Distributed Learning - This program funds efforts to increase distributed learning at all 17 community colleges. The funding level was set at 0.276% of the CCSF several biennia ago and now increases by the same proportion as the overall CCSF. This program is set at $2.0M for the 2021-23 biennium.

Commission Strategic Fund - A fund to incentivize statewide activities and to assist community colleges in meeting legislative expectations. HECC staff reviews, ranks and approves proposals to incentivize statewide activities. Requests for assistance in meeting new requirements stemming from legislative change are brought to the Commission.

The funding level for this program is set by the HECC in consultation with the College presidents. The HECC set this level at 0.75% of the CCSF resulting in a total of $5.2M for 2021-23. Unused funds remaining in the current biennium's strategic fund will be allocated through the formula.

Figure 1: CCSF 2021-23

The proportional distribution of funds between the components of the CCSF for the 2021-23 biennium is displayed in Figure 1 at right with a historical summary of CCSF funding included in Table 2. Although debt service funding is also provided for the colleges, that information is not included.

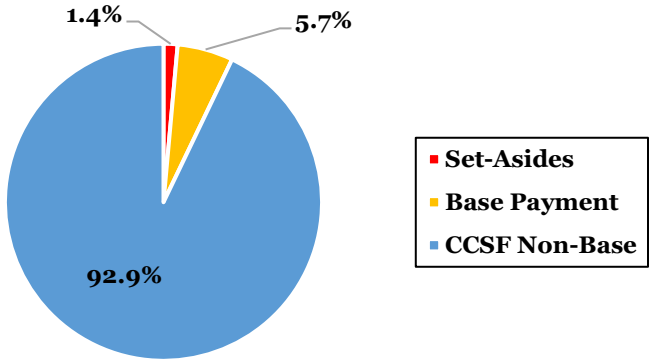
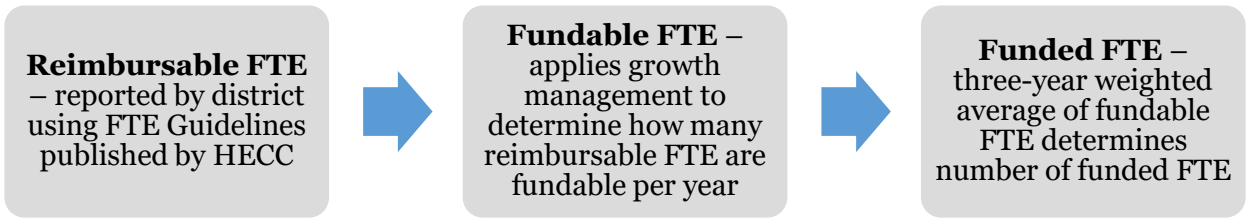


Table 2: Biennial CCSF Appropriations (In Thousands)

Biennium	2011-13	2013-15	2015-17	2017-19	2019-21	2021-23
CCSF	$395,500	$464,900	$550,000	$570,264	$640,927	$699,022

The remaining 98.6% of the CCSF is distributed via base payments and enrollment funding. Both of which are based on the number of funded FTE which is the weighted average of fundable FTE during the last three academic years. Fundable FTE are the number of reimbursable FTE that are eligible after applying the growth management component.



One reimbursable FTE is defined as 510 clock hours of instruction (which approximates 15 credits per term for each of three terms in a given year). Only courses taught to residents of Oregon, Idaho, Washington, Nevada and California that are physically taught within Oregon are reimbursable. Hobby or recreation courses are not considered reimbursable. These border state students typically pay resident tuition, which is not the case for Oregon residents taking courses in these border states.

Reimbursable students include those high school students attending community college in Oregon. Reimbursable courses include career-technical education, lower-division collegiate, postsecondary remedial, adult basic skills, adult high school diploma and health/safety/workforce development courses.

The FTE count is also subject to a "hold harmless" methodology that equalizes the clock hours between those institutions that have 11-week quarters and those that have 12 for the fall term only. This allows for all similar courses at institutions, regardless of whether they have the extra week of instruction, to be equal in terms of fundable FTE for that term. All 17 community colleges utilize an 11-week term for the winter and spring quarters (and an 8-week term for the summer), with Central Oregon, Columbia Gorge, Mt. Hood, Portland and Oregon Coast Community Colleges utilizing a 12-week fall term.

An annual FTE audit is conducted every fall to determine which courses are reimbursable and therefore included in an institution's annual count. This audit is conducted in concert between the HECC's Office of Research and Data and the HECC's Office of Community Colleges and Workforce Development (CCWD). Additional details on which FTEs are reimbursable and how the audit process is conducted is available in a publication called *FTE Guidelines for Oregon Community Colleges* produced by CCWD.

The growth management component (GMC) is then applied to the number of reimbursable FTE to determine the number of fundable FTE. The GMC is intended to prevent erosion in the level

of funding per FTE for all colleges with an FTE count greater than 1,100. Essentially this is a stop-gain mechanism in that it stops one or more fast-growing colleges from consuming the majority of any additional formula funding year to year. It compares reimbursable FTE to prior year data to determine each college's fundable FTE count as shown in Table 3 with an example calculation.

Table 3: Example Calculation of Fundable FTE			
Step	**Description**	**Value**	**Source/Calculation**
A	Annual Growth Factor (AGF)	-3.59%	Separate calculation; see table A in appendix for example
B	Reimbursable FTE	2,530	Reported by example district
C	Preliminary Cap #1: Prior Year FTE Cap	2,258	Lesser of Prior Year FTE Cap + AGF (2,342*96.41%) or Reimbursable FTE (2,530)
D	Preliminary Cap #2: Prior Year Fundable FTE	2,258	Prior Year Fundable FTE + AGF
E	FTE Cap	2,258	Greater of C or D
F	**Fundable FTE**	**2,258**	Lesser of Reimbursable FTE or FTE Cap
The calculations above assume that both the prior year FTE cap and prior year fundable FTE are 2,342.			

The number of fundable FTE is then weighted using a three-year rolling average, with 40% based on the most recent year and 30% based on each of the two years prior to determine the number of funded FTE for each college. Table 4 includes an example calculation. The number of funded FTE is important because it is used to calculate the base payment and enrollment funding.

Table 4: Example Calculation of Funded FTE		
3 Years Prior	30% * 2,429 =	729
2 Years Prior	30% * 2,342 =	703
Prior Year	40% * 2,258 =	903
Funded FTE		**2,335**

The base payment ensures a minimum level of funding to all colleges. It provides funding for essential district operations for fixed costs that do not change based on enrollment. The base payment increases funding stability and predictability for the colleges.

The base payment is calculated using a flat rate per funded FTE up to 1,100 FTE. These are referred to as realized FTE and all districts receive credit for them in their base payment. The flat rate per funded FTE of $910 is adjusted annually for inflation using the consumer price index (CPI).

An additional amount is added for only those districts with a funded FTE level below 1,100 FTE at half the flat rate. The FTEs below 1,100 are referred to as unrealized FTE. The rate per unrealized FTE is $455 currently. This is essentially a small institution supplement.

A college size factor is then used to adjust for those smaller colleges that lack economies of scale. The college size factors are noted in table B in the appendix. An example calculation for a base payment for two hypothetical colleges is included in Table 5. Note that the larger college receives less funding per FTE due to the small institution supplement.

Table 5: Example Calculations of Base Payments		
	College A	**College B**
Funded FTE	1,646	483
Base Funded FTE (Max 1,100)	1,100	483
Base per Realized FTE	x $910	x $910
Subtotal, Realized FTE	**$1,001,000**	**$439,530**
Base Adjustment (for <1,100 FTE)		1,100
Less Funded FTE		- 483
FTE Below Base		617
Adjusted Base Per Unrealized FTE (1/2 * $910)		X $455
Subtotal, Unrealized FTE	**$ -0-**	**$280,735**
Preliminary Base Funding	$1,001,000	$720,265
College Size Factor	x 1.2062	x 1.3513
Base Payment	**$1,207,406**	**$973,294**
Funding per FTE	**$733**	**$2,015**

The enrollment funding is then allocated by the relative proportion of funded FTE at each district via a two-step process. The first step is calculating the total public resources (TPR) per FTE. This involves determining the total amount of public resources available for distribution by subtracting the base funding (i.e. sum of all base payments) and then dividing by the total number of funded FTE across all colleges. The TPR per FTE can also be expressed by including base funding. This process can be seen in Table 6 using data for FY2022.

Table 6: Calculating the Total Public Resources (TPR) per FTE	
CCSF Funding Available	$347,907,468
Property Taxes Available	+ 211,775,385
TPR Available	**$559,682,853**
Less Base Funding	- 19,276,317
TPR for Distribution	**$540,406,536**
Total Funded FTE for all colleges	76,214
TPR per FTE	**$7,091**
TPR per FTE (with base funding)	***$7,344***

The second step involves applying the funded FTE percentage to the total TPR available for distribution. Then, the property taxes assessed for the district are subtracted leaving the enrollment funding to be distributed to the college. This process can be seen in Table 7 using funding for FY2022 but using hypothetical fundable FTE and property tax assessment data for one college.

Table 7: Example Calculation of Enrollment Funding	
Fundable FTE Percentage	2.41% (1,836/76,214)
TPR for Distribution	X $540,406,536
TPR Funding	$13,023,798
Less Property Taxes Assessed	- $6,264,585
Enrollment Funding	**$6,759,212**

In this example, the college will receive $6.8 million in state funding through the formula to be added to $6.3 million in property tax revenue providing $13.0 million in total public resources to support 1,836 funded FTEs. This results in $7,093 per FTE in total public resources.

Also, 52% of this college's total public resources are provided by state funding. This mix is different for each college as shown in Table 8.

Table 8: State Funding as % of TPR (FY 2022)				
College	**TPR per FTE**	**Property Taxes per FTE**	**State Funding per FTE**	**State Funding as % of TPR**
Blue Mountain	$7,929	$4,643	$3,285	41.4%
Central	$7,353	$5,087	$2,267	30.8%
Chemeketa	$7,211	$2,935	$4,277	59.3%
Clackamas	$7,270	$3,890	$3,380	46.5%
Clatsop	$8,114	$4,249	$3,865	47.6%
Columbia Gorge	$8,546	$1,851	$6,695	78.3%
Klamath	$7,728	$1,346	$6,383	82.6%
Lane	$7,238	$3,242	$3,996	55.2%
Linn Benton	$7,316	$2,109	$5,207	71.2%
Mt. Hood	$7,249	$2,240	$5,009	69.1%
Oregon Coast	$9,297	$3,166	$6,131	65.9%
Portland	$7,139	$1,911	$5,228	73.2%
Rogue	$7,363	$4,230	$3,133	42.6%
Southwestern	$7,696	$3,410	$4,286	55.7%
Tillamook Bay	$9,291	$3,143	$6,148	66.2%
Treasure Valley	$7,997	$2,056	$5,941	74.3%
Umpqua	$7,551	$1,839	$5,713	75.6%
Averages	**$7,344**	**$2,779**	**$4,565**	**62.2%**

History of the Oregon Funding Model

Before 1957, high schools ran and paid for adult education programs. In 1957, the Legislature provided the first direct state funding to community colleges and created the first funding formula. Colleges received $4.17 per each term hour or 20% of operating expenses, whichever was less. Over the next few biennia, the reimbursement rate was increased to 67% of operating expenses. The original intent was to fund the colleges with two-thirds state funds and one-third local funds.

In 1967, the Legislature changed the funding formula to a tiered system. Colleges received a different reimbursement rate for different levels of FTE enrollment. The 1967 funding formula provided:

- $575 per FTE for the first 400 FTE
- $475 per FTE for the next 300 FTE
- $433 per FTE for the next 700 FTE

The tiered system remained until 1987 with each college's FTE number determined via projections for the upcoming biennium. Between 1967 and 1987, the Legislature increased the reimbursement rate per FTE and occasionally altered the tiers. It began increasing the rate for the second year of the biennium in 1971.

By 1987, the formula provided:

- For FY 1986: $1,468/FTE for the first 1,100 FTE and $1,114/FTE for each FTE over 1,100
- For FY 1987: $1,512/FTE for the first 1,100 FTE and $1,148/FTE for each FTE over 1,100

In addition, the Legislature began providing line-item appropriations to colleges in 1967. They granted the State Board of Education the authority to develop rules to implement formula funding in 1971 and allowed the redistribution of unused funds between colleges in 1973. By 1984, the Board changed the calculation for the base FTE amount and stopped using projected FTE counts. They turned to an average of actual FTE for the two proceeding years with a projection for the current year. A hold harmless was applied as well.

In 1987, the Legislature repealed the mechanics of the funding formula from statue transferring the power to create the formula to the State Board of Education. The Legislature also discontinued line-item appropriations providing a lump sum to the State Board of Education for distribution.

The Legislature offered broad guidelines including:

- No state aid for hobby and recreation courses
- Procedures for proper and accurate record keeping
- Procedures that will insure reasonable year-to-year stability in funding

The Board, on average, changed the formula once every biennium. In 1995, the precursor to the current formula was created with the FTE count based on a three-year average, an operational base payment of $400 per FTE up to 1,100 FTEs, and 50% of property tax collections included in the formula with colleges floored at the previous year's allocation. Colleges were capped at 10% growth per year.

The current formula was created in 1999 with per-FTE funding plus an operating base. Caps and floors were eliminated. Timber tax was included for the first time. Equity payments of $3.6 million were provided to bring the colleges up to a statewide average for per-FTE resources. The strategic fund was created. And a five-year phase-in was allowed for the transition to the new formula design.

In 2001, equity payments were repealed. Equity was achieved in 2004 when all colleges were allocated the same funding amount per FTE after factoring out the base payment. A growth management component was added around 2010 to prevent the erosion of funding per FTE.

Contextual Data

Oregon Administrative Rule 589-002-0100 includes a purpose statement for the CCSF referencing a policy-driven distribution formula that "has been structured to support access, stability and quality, and to do so with equity for Oregon students." Data in this section is intended to offer context in an effort to better understand how the existing formula supports these policy choices. Enrollment trends, completion data, and other information are included.

For enrollment, the trend in traditional measures of headcount and FTE enrollment are included in Table 9, along with reimbursable FTE which are those enrolled FTE eligible for reimbursement with state funding according to existing guidelines. In the past decade, all have declined the same 37% or 38%.

Meanwhile, the population of Oregon residents aged 16 or older has increased 13% during that same time period. Dividing the headcount enrollment by the population total and then multiplying by 1,000 calculates a metric that expresses the enrollment per 1,000 residents (aged 16 or older). This shows what proportion of the eligible population is enrolled in a community college and how that has changed over the past decade.

The headcount enrollment per 1,000 Oregon residents aged 16 or older has decreased 44%. A decade ago, 117 out of every 1,000 Oregon residents aged 16 or older were enrolled in a community college. In 2020, that number has dropped to 66.

Table 9: Enrollment per 1,000 Residents

	Headcount	Total FTE	Reimbursable FTE	Population, 16 and Older	Enrollment per 1,000 Residents
2010-11	363,665	125,234	119,515	3,089,357	117.7
2011-12	353,924	123,004	117,303	3,115,559	113.6
2012-13	335,233	117,239	112,104	3,149,891	106.4
2013-14	319,616	109,558	104,497	3,190,424	100.2
2014-15	305,470	102,540	97,361	3,237,593	94.4
2015-16	292,209	95,919	90,511	3,295,488	88.7
2016-17	281,222	93,197	88,330	3,354,821	83.8
2017-18	272,184	90,387	85,642	3,406,521	79.9
2018-19	261,458	86,309	81,793	3,447,488	75.8
2019-20	229,146	77,720	73,836	3,482,061	65.8
Variance (2019-20 to 2010-2011)	**(134,519)**	**(47,514)**	**(45,679)**	**392,704**	**(52)**
	-37%	**-38%**	**-38%**	**13%**	**-44%**

Notes: Headcount, total FTE, and reimbursable FTE data are from Community College Data Mart as of 8/20/2021. Population data are from the Oregon Department of Administrative Services, Office of Economic Analysis. Enrollment per 1,000 residents is headcount divided by population times 1,000.

When looking at headcount enrollment by age, the categories displayed include:

- Under age 18 or high school students
- Age 18 to 24 or traditional aged students
- Over age 24 or non-traditional students
- Unreported

Table 10 shows the proportion of high school students has increased from 8% in 2011 to 12% in 2020 while during the same time period the proportion of non-traditional aged students has dropped from 63% to 54%. It is still the case that non-traditional aged students make up the majority of community college students.

Table 10: Headcount by Age Group

	< 18	18-24	Over 24	Not Reported	Total	% <18	% Over 24
2010-11	29,178	100,747	230,303	3,437	363,665	8%	63%
2011-12	28,181	99,723	222,391	3,629	353,924	8%	63%
2012-13	28,255	96,546	207,540	2,892	335,233	8%	62%
2013-14	29,431	93,014	195,112	2,059	319,616	9%	61%
2014-15	33,037	89,996	180,019	2,418	305,470	11%	59%
2015-16	35,008	88,389	166,907	1,905	292,209	12%	57%
2016-17	34,745	87,292	157,375	1,810	281,222	12%	56%
2017-18	34,188	85,451	150,455	2,090	272,184	13%	55%
2018-19	32,165	82,295	145,145	1,853	261,458	12%	56%
2019-20	27,558	76,176	123,684	1,728	229,146	12%	54%

Source: HECC, CC Headcount Enrollment, Community College Data Mart as of 8/20/2021.

Headcount enrollment can also be broken out by race/ethnicity which is aligned with State and Commission equity goals. Table 11 below shows the proportion of students from underrepresented racial groups (URG) has increased from 19% to 26% in the past decade.

The URG category includes Asian American, Black/African American, Hispanic/Latinx, Native American/Alaska Native, Native Hawaiian/Pacific Islander and those students who identify as one or more. Typically, 20% of students do not report this information and are noted as such.

Table 11: Headcount by Race/Ethnicity

	Underrepresented Racial Groups	White	Not Reported	Total	% URG
2010-11	67,390	222,812	73,463	363,665	19%
2011-12	68,207	214,873	70,844	353,924	19%
2012-13	70,538	201,084	63,611	335,233	21%

2013-14	69,979	188,753	60,884	319,616	22%
2014-15	68,834	177,204	59,432	305,470	23%
2015-16	68,020	166,122	58,067	292,209	23%
2016-17	67,156	158,021	56,045	281,222	24%
2017-18	66,468	149,829	55,887	272,184	24%
2018-19	64,204	140,301	56,953	261,458	25%
2019-20	59,585	122,391	47,170	229,146	26%
Source: HECC, CC Headcount Enrollment, Community College Data Mart as of 8/20/2021.					

Students are enrolling for a variety of reasons. Table 12 below shows the 2019-20 academic year FTE by educational activity. Just over 89% of students enrolled for lower division collegiate work, career/technical education programs, or post-secondary remedial. The remaining 11% of students enrolled for basic or general education, continuing education or other purposes.

Table 12: FTE by Educational Activity (2019-20)		
Educational Activity	**FTE**	**% of Total**
Lower Division Collegiate	44,569	57.3%
Career/Technical Education	20,476	26.3%
Post-secondary remedial (Dev Ed)	4,222	5.4%
Subtotal	**69,267**	**89.1%**
Adult Basic Education	2,295	3.0%
English as a Second Language	2,020	2.6%
General Education	1,550	2.0%
Adult Continuing Education	1,444	1.9%
Hobby/Recreation	1,144	1.5%
Subtotal	**8,453**	**10.9%**
Total	**77,720**	**100%**
Source: HECC, Student Full-Time Equivalent (FTE) Comparison, Community College Data Mart as of 8/20/2021. Includes high school students in dual credit courses.		

For completion data, Table 13 shows the number of students, overall and by race/ethnicity, who earned an award in the last ten years. The total number of students earning a certificate or degree has increased over time even with changing enrollment. The increase was larger for most historically underrepresented racial groups, especially among Latino/a/x/Hispanic, Native Hawaiian/Pacific Islander, and multi-racial students. The number of Native American/Alaska Native students and the number of While students fell.

Table 13: Certificates and Degrees by Race/Ethnicity									
	Asian Amer	**Black/ African Amer**	**Latinx/ Hispanic**	**Native American/ Alaska Native**	**Native Hawaiian /Pacific Islander**	**White**	**Two or More**	**Not Known**	**Total**
2010-11	486	210	850	176	28	8,940	156	940	11,786
2011-12	499	214	1,006	204	48	10,148	203	1,084	13,406
2012-13	669	278	1,320	258	49	11,861	384	1,143	15,932
2013-14	640	297	1,406	253	60	11,582	507	935	15,680
2014-15	632	273	1,648	220	77	11,356	534	984	15,724
2015-16	634	296	1,824	230	57	11,060	601	908	15,610
2016-17	680	316	1,854	211	67	9,918	603	962	14,611
2017-18	667	295	2,070	209	54	9,720	663	933	14,611
2018-19	649	313	2,213	189	61	9,620	706	1,362	15,113
2019-20	587	257	2,002	150	63	8,503	699	1,137	13,398
Variance (2019-20 to 2010-11)	**101**	**47**	**1,152**	**-26**	**35**	**-437**	**543**	**197**	**1,612**
	21%	**22%**	**136%**	**-15%**	**125%**	**-5%**	**348%**	**21%**	**14%**

Source: HECC analysis of student-level data.
Note: Not reported group includes international students, who may be of any race/ethnicity.

Students earn a wide variety of completions. Table 14 below shows the 2019-20 academic year completions earned by type. Just over half were for lower division collegiate work, with 43% for career/technical education programs. These data are broadly representative of the overall breakout of the past several years.

Table 14: Completions by Type, 2019 - 2020		
Associate of Applied Science	76	
Certificate	75	
Subtotal, Apprentice Programs	**151**	**1%**
Certificate Less than 1 year	843	
Certificate 1 year - less than 2 year	1,355	
Certificate Two Years or Greater	117	
Career Pathway Certificate of Completion	2,702	
Associate of Applied Science	3,288	
Associate of Science	1	
Subtotal, Career/Technical Education	**8,306**	**43%**
Associate of Arts Oregon Transfer	3,506	
Associate of General Studies	2,969	
Associate of Science	2,243	
Associate of Science Oregon Transfer (ASOT)	119	

Table 14: Completions by Type, 2019 - 2020		
Oregon Transfer Module	2,046	
Subtotal, Lower Division Coursework	**10,883**	**56%**
Total	**19,340**	**100%**
Notes: The data source is the HECC, Student Completions, Community College Data Mart as of 8/20/2021. Duplicated completions.		

Completion rates allow us to determine whether completion has increased relative to enrollment. In community colleges, completion of a program of study can be defined in many ways, including completion of a career and technical certificate, an associate degree, or of general education requirements prior to transferring to a bachelor's degree-granting institution. The HECC uses a completion rate that includes all of these outcomes and shows what percentage of credential-seeking students complete their program of study or transfer within their first four years. This measure is a key performance metric for the HECC.

Table 15 shows this measure: the percentage of new, credential-seeking students who complete a career certificate or associate degree or who transfer to any four-year institution nationwide within four years, for all students and by race/ethnicity. The completion and transfer rate for all students has steadily increased over the last eight years, indicating rising student success at the colleges. In addition, the rates among racial/ethnic groups have narrowed slightly over time indicating at least some progress toward equity.

Table 15: Completion Rates by Race/Ethnicity (Students Entering Fall)								
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
All Students	42.7%	44.6%	43.6%	43.7%	45.8%	47.8%	48.8%	50.0%
Asian American	43.2%	49.2%	52.9%	49.9%	52.6%	52.5%	55.3%	51.3%
Black/African American	35.1%	34.6%	35.1%	32.7%	33.7%	39.5%	38.4%	40.4%
Hispanic/Latinx	37.1%	38.5%	37.7%	37.4%	40.4%	44.4%	45.1%	46.0%
Native American or Alaska Native	32.7%	36.3%	32.1%	37.7%	33.2%	39.5%	44.4%	53.7%
Native Hawaiian or Pacific Islander	35.3%	38.2%	47.2%	42.3%	35.9%	45.4%	36.5%	39.4%
White	43.9%	45.6%	44.3%	44.9%	47.5%	49.8%	50.9%	52.3%
Notes: Key performance metric data updated February 2021. HECC analysis of community college data.								

These rates use student behavior to define "credential-seeking" as accumulating 18 or more quarter credits within the first two years of enrollment and who are new to that community college (although not necessarily new to postsecondary education) in the fall term. The rate defines transfer as showing any evidence of enrollment at any four-year institution nationwide

after the last enrollment in the community college and before the end of the four-year tracking period.

This credential-seeking cohort is part of a broader set of performance measures developed by the American Association of Community Colleges called the Voluntary Framework of Accountability[24] (VFA) that can be used for national comparisons. The VFA measures include six-year outcomes when compared to the more than 250 community colleges who participate in the measures.

Among the same credential-seeking cohort, 36% of Oregon students had earned a certificate or degree within six years, compared to 40% of students nationwide. An additional 24% of Oregon students had transferred to another school (two-year or four-year), compared to 22% nationwide. Among all students who were new to a college in the fall term (i.e. a slightly broader cohort), 22% of Oregon students earned a certificate or degree within six years, compared to 26% of students nationwide. An additional 26% of Oregon students transferred to another institution (two-year or four-year), compared to 24% of students nationwide.

Recent changes to the university funding formula were designed to help improve the completion rates of community college transfers. Following the formula review process concluded in early 2021, and in an effort to incentivize community college transfer completions, the formula changed how community college transfers were handled.

Previously, degrees earned by community college students were discounted within the university formula based on the theory that funding received by the university should reflect the proportion of courses actually taught at the university. Any other transfers, such as those from other institutions or from out-of-state, were not discounted within the formula.

There were two changes incorporated. First, all transfers are discounted, not just community college transfers, so that only 62.5% of the points (and thus the funds) generated by a transfer completion will be counted in the formula. Second, a bonus of 37.5% is provided to community college transfers so as to remove the prior discounting factor and treat them as if they were non-transfer students.

[24] https://www.aacc.nche.edu/programs/voluntary-framework-accountability/

External Review and Perspective

The Oregon Higher Education Landscape Study completed by the National Center for Higher Education Management Systems (NCHEMS) during 2022 includes an assertion that collective action should center around "continuing the emphasis on achieving equity in access to postsecondary education and in the success of students." They also suggest that "arguments for increased state investments in higher education will come across as self-serving unless framed in the context of their contributions to achievement of high priority state goals."

In framing their recommendations, NCHEMS suggested "student and state needs come first." One of the specific recommendations is that "steps should be taken to purposely align state funding of both institutions and students with the goals expressed in the state's revised strategic plan."

Regarding the CCSF review specifically, they suggest the "model should use a rational framework that addresses the frugal needs of maintaining each institution's value as an asset to the region and the state, variation in the costs of instruction based on scale (size) and scope (program array), performance incentives sufficient to drive sustainable and continuous improvement, and new investments tailored to community and regional needs."

They go on to suggest that an outcomes component reward production of all degrees and certificates of value—including certificates produced by continuing education (noncredit) programs. They further suggest extra weight be given for degrees/certificate that are awarded to individuals identified as being in priority population groups.

Separately a performance audit of the HECC related to community colleges was conducted by the Oregon Secretary of State's Audits Division with a report published in December 2022, numbered 2022-35. The report stated that, "…pursuing funding based in part on student performance [is]… an effort that could help focus the system on student success and equity goals."

Further, they suggested that "effectively implemented, performance-based funding could help Oregon reach consensus on appropriate student success metrics, increase system focus on student success and equity, and boost transparency over college performance, all important steps identified in the audit." They pointed out that "potential changes include adding funding to help colleges serve underserved students, allocating extra money for higher cost CTE programs, and rewarding colleges that adopt programs that move students into college-level math and English more quickly." They suggested linking state funding to best practices and state goals.

One of the report's six official recommendations stated that, "if performance-based funding is adopted, [the HECC should] develop a detailed plan to maximize and track systematic benefits and minimize potential negative results."

Formula Review Process

Purpose

In Oregon Revised Statues (ORS) 350.075(3)(f), the Commission is charged with the responsibility and authority to adopt rules regarding the community college funding formula. In order to ensure the formula is consistent with the strategic priorities of the state and the mission of community colleges, a review was conducted to consider evidence of success regarding the current formula, to consider other states' experiences, and to make any recommendations for improvement.

The CCSF Formula Review Workgroup was charged with the review and examination of Oregon's existing CCSF formula for alignment to and support of Oregon's higher education goals. The Workgroup was advisory to HECC staff. The Workgroup was encouraged to reach out to other stakeholders and subject matter experts during its review and examination phase.

The Workgroup was convened and supported by HECC staff. Thirteen meetings of the workgroup occurred from March 2022 through early February 2023 totaling approximately 36 hours of meeting time. Updates were provided to the Commission during nine public meetings of its Funding and Achievement (F&A) subcommittee from August 2021 through December 2022.

Early on, during the March 29, 2022 meeting, the workgroup discussed how to define and determine consensus. The workgroup decided to use a qualitative process that would allow members to express their relative level of agreement thereby demonstrating the quality and strength of consensus. Although the majority of the meetings were discussion based allowing all members to contribute, surveys and polls were also used to record consensus on specific questions and issues.

The workgroup revisited this discussion during its November 8, 2022 meeting and reiterated a preference for using a qualitative approach coupled with polling. Subsequently, polls were used during meetings to assess the level of support for various options under consideration.

Guiding Principles for the Review Process

During fall 2021, the HECC established the following principles to guide the review and examination of the CCSF formula:

- The full participation of institution and other key stakeholders in the review process is vital to achieving sound, equitable, student-focused policy.
- The CCSF formula should distribute state funding in support of student access and completion, the state's higher education goals, and the Commission's Strategic Roadmap.
- Recommendations should be informed by clearly defined and currently available data.

- The CCSF formula should apply objectively to all institutions with an emphasis on underrepresented populations.

Areas of Consideration

The following inquiry areas were identified by the HECC in collaboration with stakeholders for consideration during the review process:

- What are successful and equitable outcomes for community college students? What data is collected to measure progress toward achieving those outcomes? How does the formula currently support successful student outcomes?
- Are there ways the CCSF could support student success outcomes while recognizing the wide range of services colleges provide, especially for traditionally underserved populations?
- How might potential changes in the formula be funded or implemented to meet the identified outcomes?
- Should the CCSF continue to fund developmental education? Or should funding be allocated to support successful evidence-based models?
- What role if any, should certificate and degree pathways play in relation to the CCSF formula? Should there be different funding elements related to programs within the formula?
- What role if any, should transfer play in the CCSF formula?
- What role do the current elements play in the CCSF formula and should the current elements of the funding formula remain in place? Should any be adjusted?
- Are there identified areas where new money would be needed to support as there are not sufficient resources to support the activities as identified to support student success? (Unfunded mandates)
- How do we make the CCSF stable enough to make a projection and manageable and user friendly enough to be understood?
- What role does student affordability play within student access? How do we measure affordability?

Membership

Each college was invited to appoint one member and one alternate to the Workgroup. Additional representation was added in collaboration with stakeholder groups. The 26 appointed members, not including alternates, originated from a number of categories as noted below. The specific members and affiliations are listed in Table 16.

- Presidents – five
- Business Officers – six
- Student Affairs Staff – two
- Financial Aid Staff – one
- Institutional Effectiveness Staff – three
- Faculty – five

- Classified Staff – one
- OCCA – one
- HECC – two

Table 16: Workgroup Membership			
Stakeholder	**Primary**	**Position of Primary**	**Alternate**
Blue Mountain	Mark Browning	President	Celeste Tate
Central Oregon	Alicia Moore	VP Student Affairs	Laurie Chesley
Chemeketa	Ryan West	Director Financial Aid	Bruce Clemetson
Clackamas	Tim Cook	President	Jeff Shaffer
Clatsop	Chris Breitmeyer	President	Jerad Sorber
Columbia Gorge	Courtney Judah	ED of Institutional Effectiveness	Marta Cronin
Klamath	Bill Jennings	Institutional Researcher	Roberto Gutierrez
Lane	Zach Evans	Assoc VP for Budget & Analysis	Mindie Dieu
Linn Benton	Sheldon Flom	VP for Finance and Administration	Jess Jacobs
Mount Hood	Lisa Skari	President	Jennifer Dement
Oregon Coast	Andres Oroz	VP Student Affairs	Birgitte Ryslinge
Portland	Eric Blumenthal	VP of Finance and Administration	Dina Farrell
Rogue	Lisa Stanton	VP of Finance and Operations.	Natalie Herklotz
Southwestern	Jeff Whitey	VP of Administrative Services	Leigh Fitzhenry
Tillamook Bay	Erin McCarley	Institutional Effectiveness	Ross Tomlin
Treasure Valley	Dana Young	President	Shirley Haidle
Umpqua	Natalya Brown	CFO	Rachel Pokrandt
Oregon Education Association (OEA)	Traci Hodgson	Statewide president; Chemeketa faculty	
Oregon Education Association (OEA)	Mary Middleton	Rogue CC faculty	
Oregon Education Association (OEA)	Pete Hernberg	Blue Mountain CC faculty	
AFT – Oregon	Alex Jordan	PCC faculty	
AFT – Oregon	Emiliano Vega	PCC faculty	
AFT – Oregon	Fiora Starchild-Wolf	Lane CC classified staff	

Table 16: Workgroup Membership			
Oregon Community College Association (OCCA)	Morgan Cowling	Executive Director	John Wykoff
HECC	Donna Lewelling	Director, CCWD	Celia Nunez
HECC	Jim Pinkard	Director, PFC	David Jarvis

Process Timeline

The process included a two-phase approach. The first phase, which lasted through August 2022, focused on the development of the 2023-25 Agency Request Budget (ARB) and corresponding policy option packages. It also provided an opportunity for foundational conversations regarding student success, career technical education, and other topics such as developmental education redesign. Subject matter experts and presenters were scheduled to provide context on various topics. This phase was discussion oriented.

The second phase, which lasted through early February 2023, considered the mechanics of the existing funding formula. An external group, HCM Strategists, facilitated the meetings occurring during the second phase. This phase started in September 2022 with a recap of the foundational discussions that occurred to date. This allowed the workgroup members to reflect on the foundational conversations that occurred during the first phase with an eye toward how their understanding of various issues (i.e. equitable student success, high school to college, adult learners, student success, CTE career pathways, developmental education, and transfers) could affect their thinking of the formula's design.

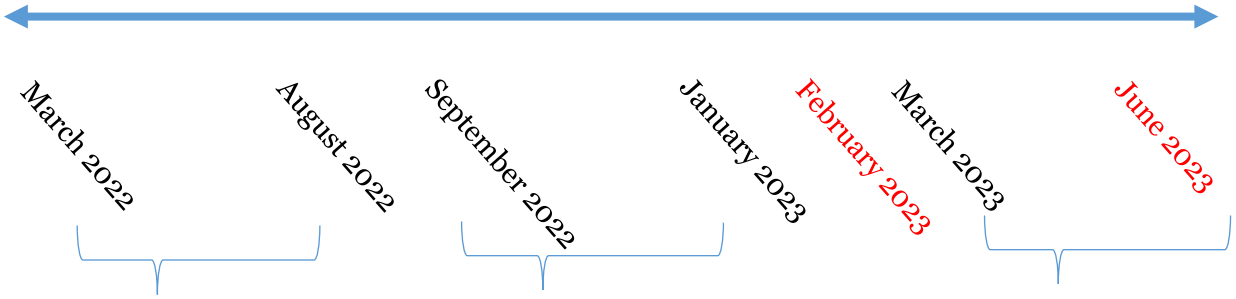
The conversation then turned to the strengths of the current model and other approaches from other states including both enrollment and outcomes-based components. HCM Strategists walked the group through the various issues discussed and how those issues could influence the formula design. They used examples from across the nation during the discussion. This led the workgroup to generate common ground around improving the formula's approach to adult learners, CTE, and equitable student success.

The workgroup was then asked to reflect on certain, specific questions via a survey. The questions focused on how to incorporate the common ground ideas into the formula. The survey and its results are described in more detail later in this report.

The survey results were communicated to the Commission at its December F&A meeting. This allowed for reflection by the Commission on the workgroup's preferences. After considering the Commission's feedback, the workgroup membership came up with a proposed formula framework at its December 2022 meeting. Additional discussion during subsequent meetings in January and February 2023 helped define consensus around the details of the components.

The workgroup membership decided to create a taskforce during the second phase of the review process. The taskforce was a subset of workgroup members; however, the taskforce meetings were open to the entire workgroup membership with other workgroup members routinely participating. The goal of the taskforce was to consider the technical details of implementing the broader policy decisions of the workgroup.

HECC staff recommendations were made to the Commission at its February 2023 meeting. Any necessary rule making will commence after that with proposed amendments scheduled for Commission consideration during the June 2023 meeting.



Phase I

March – August 2022

Foundational Conversations:

- Student Success
- CTE
- DE Redesign

Phase II

Sept 2022 – Jan 2023

Formula Components:

- Stability
- Structure
- Potential Improvements

Rulemaking and Implementation Planning

March – June 2023

Implementation begins with FY2024, the 2023-25 biennium

The workgroup's meeting dates are noted below with a summary of the discussion that occurred at each meeting. Not all workgroup members were present for all meetings. The average attendance rate was 74%. A summary of discussion during each meeting is included in Table 17 with more context provided later in the report.

Table 17: Summary of Workgroup Meetings	
Meeting Date	**Summary of Discussion**
March 16, 2022	CCSF Tutorial to review current funding model.
March 29, 2022	First meeting of CCSF Workgroup. Reviewed Charge, Areas of Consideration, Timeline. Completed Work plan.

Table 17: Summary of Workgroup Meetings	
Meeting Date	**Summary of Discussion**
April 22, 2022	Discussion of survey results (Equitable Community College Student Success survey), who the colleges serve, possible ways to measure success including national metrics.
May 16, 2022	Conversation around CTE career pathways, student experience, data trends, noncredit training certificates, and success measures.
June 2, 2022	Discussion of developmental education nationally and in Oregon with presenters including Sue Bickerstaff, CCRCQ; Elizabeth Cox Brand, OCCA; Central Oregon CC Staff; and HCM Strategists.
July 13, 2022	Transfer issues were discussed at length with invited guests including Dr. Lara Couturier for a national overview, Donna Lewelling for a state overview, and Teresa Riveness for a local perspective; discussion of the Oregon Transfer Council work and transfer compass.
September 21, 2022	Discussion included a recap of equitable student success, high school to college, adult learners, student success, CTE career pathways, developmental education, and transfers along with a conversation of how that could affect the formula.
October 14, 2022	Discussed CCSF feedback; specifically, the strengths of the current model and other formula approaches for consideration from other states including both enrollment and outcomes components.
November 8, 2022	Discussion of formula approaches to advance the principles and translating workgroup feedback into a formula framework.
December 15, 2022	Discussion of feedback received from Commission's December F&A meeting; presentation of proposed formula framework.
January 13, 2023	Discussion of proposed formula framework. Discussion and decision making around specific elements and options including headcount versus FTE, weighting methodology, student success metrics, and weighting for student success metrics.
January 27, 2023	Live data was added to a working formula model based on the proposed framework and reviewed with the workgroup. Discussion continued around details within the added components. Based on polling data, consensus support existed for the design of the student support component. However, for the student success component, consensus existed for using student success metrics, specifically completions. Progression metrics

Table 17: Summary of Workgroup Meetings	
Meeting Date	**Summary of Discussion**
	were supported by half or fewer of those voting based on concerns that non-credit student success would largely be excluded from the progression metrics.
February 1, 2023	Discussion continued around the details of the student success component along with other details. Polling data showed support for both progression and completion metrics, adding a non-credit metric for progression, keeping the GMC while adding a stability review process, and sourcing the funding for student support/success off the top of the formula like a set aside.

Funding Formula Policy Principles

During spring 2022, the formula review workgroup established the following policy principles to ensure the funding formula:

- Aligns with state goals and priorities.
- Holds true to the broad mission of community colleges, including access, completion and workforce development.
- Reflects the diversity across colleges, including region, missions, and student bodies.
- Incents and support institutions to invest in student success and evidence-based practices.
- Prioritizes equitable student access and success by factoring in differential needs and costs among student groups.

Implementation Guidelines

The workgroup also established the following implementation guidelines so that any changes ensure the funding formula:

- Is stable and predictable.
- Provides sufficient core funding to support operations and maintenance for all colleges.
- Is simple to understand and easy to explain to a diverse group of state, campus, and community stakeholders.
- Uses data that are valid, reliable and consistently available.
- Will phase-in implementation to allow institutions to respond/avoid unintended consequences.
- Establishes a regular review process (minimum of every 3 years) to strengthen the model and address any unintended consequences.

Workgroup Consensus

During summer 2022, the workgroup identified advantages of the current funding formula to include that:

- It is stable and predictable.
- It provides colleges the autonomy to pursue mission, community, and student population driven priorities.
- It supports small colleges effectively through the base payment component.
- It equalizes funding appropriately between state resources and local resources.

However, the workgroup also concluded the current funding formula could be better aligned with existing state higher education goals and could be more student centered. One workgroup member stated, "there is nothing motivational or student centric about the current formula, but there is a lot of institutional autonomy on the other side." This led to common ground identified by the workgroup with a focus on:

- Adult Learners – to encourage the increased enrollment and completion of adult learners in alignment with the state's existing adult attainment goal.
- CTE/Workforce – to account for the additional cost of more expensive CTE/workforce programs. Potentially focusing on credentials that are in high-demand areas as defined by workforce needs.
- Equitable student success – accounting for the additional costs of helping underserved students succeed; a movement toward something that is more student-centric and more focused on student success; flexible enough to help colleges support the communities they serve.

A survey was conducted of the workgroup membership in November 2022 to determine the level of support for various ideas related to these considerations. The questions and results are included in full in the appendix in Table C. The survey results demonstrated support for:

- Focusing on CTE/workforce and adult students using enrollment with limited support for weighting high-value CTE/workforce courses.
- Including priority populations regardless of the data limitations, but with a delayed implementation to improve data quality. The priority as measured by the level of support is low-income.
- Including non-credit courses and credentials.
- Using earned credit hours benchmarks for outcomes metrics.
- Using 10% or less of CCSF funding for outcomes/progression metrics.
- Specifying a funding amount for targeted funding rather than a percentage of total funding.

HECC Commissioner Feedback

The HECC met and discussed the CCSF review process at the December 2022 meeting of the F&A subcommittee. They received an update on the survey results along with an update from the Oregon Presidents Council (OPC). They provided the following reflections:

- The Commission cares deeply about completion and expressed an interest in having the workgroup recommend its logical place within the formula.
- There is support for using multiple completion measures with the workgroup encouraged to recommend the most appropriate. They expressed a firm believe that everyone needs to have an opportunity to help shape the recommendations.
- The commissioners asked the workgroup to focus on equity and to consider what it means through the formula to serve the populations with the highest barriers to success.
- The commissioners wanted the workgroup to know it is proposing an increase to the CCSF that is much larger than what it is asking to leverage in the formula and that this review process represents an important opportunity to advance the success of the colleges.
- The Commission is committed to doing this work thoughtfully and inclusively, understands how difficult the conversations can be, is listening intently, and appreciates the commitment and participation from stakeholders.

Proposed Model – Formula Review Workgroup

At its December 2022 meeting, the formula review workgroup discussed the Commission's feedback. A number of members expressed continuing concerns over using outcomes-based metrics in general, but suggested they could support something that includes credential outcomes. One member suggested CTE is a better outcome while another suggested wages and employment outcomes should be the ultimate goal.

Others expressed that changes to the formula should be student-centered and should align with accountability expectations in consideration of the existing state adult attainment goal. Others suggested creating a model that focuses on equity thereby providing funding for the neediest students. Some suggested that adding a focus on equitable student success should include both progression and completion metrics. Additional discussion revolved around the inclusion of an equity focus, and on the need to support traditionally underrepresented students.

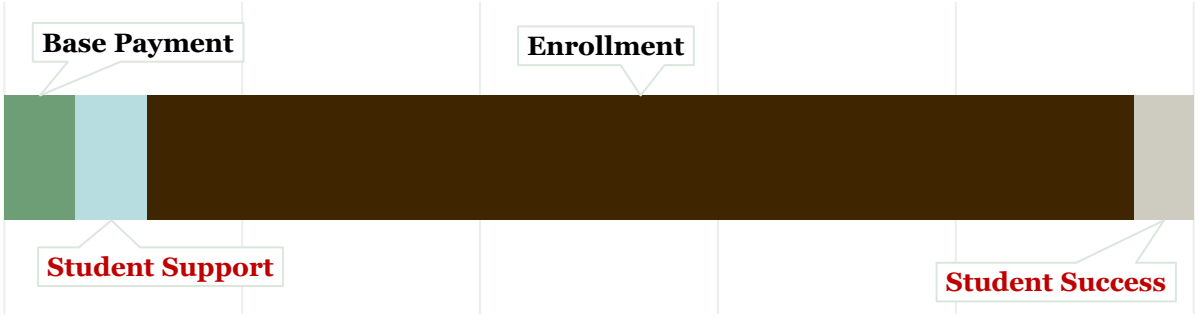
With discussion, the workgroup reiterated its support for:

- Including both credit and non-credit coursework, credentials, and students alike.
- Weighting all CTE/workforce courses equally and not focusing solely on high-value or high-demand while exploring a separate request for start-up funding for new programming.

- Focusing on priority populations that are consistent with the current adult attainment goal which includes low-income, adults, CTE/workforce, and traditionally underrepresented students as identified by race/ethnicity.

A proposal was made by workgroup members to amend the current funding model. The current model includes a base payment with the bulk of resources allocated by enrollment and equalized between local property tax revenue and state funding. The proposed model envisions adding two components: one for student support and one for student success. Figure 18 is a graphical representation of the proposal.

Figure 18: Proposed Model



When presented, the model was well received by the workgroup membership. One member commented they could "see more wisdom in this one. It's strikes a good balance." Others positively noted the parallel design of including equity populations at both ends of the student success continuum.

The intent of the proposed model is to focus on equitable student success by accounting for the additional costs of serving traditionally underrepresented students. It takes a parallel approach in first providing the resources to support students upfront and then emphasizes student success on the backend. The four populations of students prioritized within the two additional components include low-income, adults, CTE/workforce training, and traditionally underrepresented students as identified by race/ethnicity. This student-centered approach provides the colleges with the continued flexibility needed to support the communities they serve.

The calculation of the proposed student support allocation is based on a weighted three-year average of enrollment for certain students who attempted a reimbursable course. This includes both credit and non-credit coursework. The intent is to provide additional funding for students who are from one or more of the four prioritized populations.

At its January 13, 2023 meeting, the workgroup membership largely expressed support via discussion for using headcount enrollment for the calculation and an incremental weighting approach. Therefore, the proposed calculation will be points-based whereby points will be allocated for each student in one or more of the four populations with additional weighting added for students in more than one population. Table 19 includes the total headcount enrollment along with the headcount enrollment for each priority population during academic year 2021-22.

The four prioritized populations include the following headcount students who attempted a reimbursable course:

- Low-income – The number of students who received a Pell Grant sometime during the academic year at any college in Oregon.
- Adult – The number of students who were aged 25 or older.
- CTE/Workforce Training – The number of students for whom the plurality of their coursework was CTE based which includes coursework defined by the series 200 activity codes.
- Underrepresented (URP) – The number of students who identify in one of the groups below:
    - Asian American/Asian
    - Black/African American
    - Latino/a/x/Hispanic
    - Native American/Alaska Native
    - Native Hawaiian/Pacific Islander
    - Two or more of the above

Table 19: 2021-22 Headcount and Priority Population Enrollment

College	Total	Low-Income	Adult	CTE	URP
Blue Mountain	3,805	510	1,144	1,078	1,166
Central	11,877	1,359	5,454	4,097	1,733
Chemeketa	17,672	3,344	7,082	4,760	6,796
Clackamas	18,860	1,466	9,914	7,124	3,987
Clatsop	2,793	292	1,436	1,312	388
Columbia Gorge	2,916	233	1,516	1,273	668
Klamath	5,030	682	1,831	1,513	1,386
Lane	14,587	2,353	5,253	3,096	3,939
Linn Benton	12,046	1,399	4,576	2,513	2,440
Mt. Hood	17,325	1,545	9,583	8,810	5,688
Oregon Coast	1,674	181	650	231	313
Portland	50,502	8,765	22,074	8,735	16,847

Table 19: 2021-22 Headcount and Priority Population Enrollment					
College	**Total**	**Low-Income**	**Adult**	**CTE**	**URP**
Rogue	7,677	1,837	3,586	2,263	2,249
Southwestern	4,019	614	1,776	1,060	780
Tillamook Bay	1,947	147	1,193	438	316
Treasure Valley	4,837	675	1,411	1,761	1,092
Umpqua	9,659	974	5,422	5,201	810
TOTALS	**187,226**	**26,376**	**83,901**	**55,265**	**50,598**

Subsequent to the January 13th meeting, live data was added to a calculation workbook based on the proposed framework. The pro forma workbook was reviewed with the workgroup during its January 27, 2023 meeting. Based on polling data, support existed for the calculation of the student support component as described above with 77% of those members voting that they support its design while noting the limitations of the low-income and CTE/Workforce Training student metrics.

The design of the student success component was the subject of much debate. During the January 13, 2023 meeting, the workgroup discussed calculating the student success allocation based on metrics that include both progression and credential completion with additional weighting provided for students from one or more of the four prioritized populations.

A poll of the workgroup taken during its January 13, 2023 meeting found that 83% of those voting supported using 15 credit hours as a threshold, 56% of those voting supported using 30 credit hours as a threshold, and 67% supported using gateway course completion. The 15- and 30-credit hour thresholds are based on research from the Community College Research Center (CCRC) at Columbia University and the experience of colleges in the State of Washington who have implemented a similar approach.

That same poll showed exactly 50% of those voting indicated support for including credential completions. Additionally, 65% of those voting indicated support for additional weighting of student success metrics for the four prioritized populations.

The proposed student success metrics discussed during the January 13, 2023 meeting included:

- The number of students who have earned at least 15 credits.
- The number of students who have earned at least 30 credits.
- The number of students who have earned credit in a college-level English, writing, or math course.
- The number of students who have earned a credential. This includes all credit and non-credit credentials (degrees and certificates) completed as currently reported in D4A.

After the January 13th meeting, with live data to consider in the pro forma workbook, the workgroup continued the discussion at its January 27, 2023 meeting. Much of the discussion revolved around the definitions of the student success metrics. Specifically, which students would be included in the progression metrics. There was much concern expressed over the exclusion of non-credit and CTE/workforce training credential seeking students in the progression metrics which is inconsistent with the common ground identified during the workgroup's previous discussions.

There was discussion of the gateway courses noting that many CTE/workforce training programs do not require a traditional college-level math, writing, or English course for completion. There was discussion of potentially weighting the gateway courses by one-half or one-third to ensure they do not overweight the resulting calculation. A poll taken during the January 27, 2023 meeting showed 38% of those voting supported that option. There was also discussion of counting just the first gateway course completed instead of math, writing or English. Polling data showed 62% of those voting supported that option.

Discussion turned to the potential of adding a non-credit metric. One option was a clock-hour based metric with 27% of those voting in support. Another option was adding more weight in the calculation for the completion of non-credit courses with 20% of those voting in support. Meanwhile, 47% of those voting concluded there was not enough information at the present to decide.

Discussion continued around existing data collected and currently available for use noting that one of the review principles is to use currently available data. Many remained concerned about the exclusion of non-credit students in these metrics as non-credit programs are a growing portion of many colleges' offerings. More information on for-credit and non-credit enrollment over time is included in Tables 20 and 21.

Table 20: Reimbursable FTE by Credit Status and Year

	For-Credit		Non-Credit		Total FTE
	FTE Enrollment	% of Total	FTE Enrollment	% of Total	
2021-22	52,248	86%	8,615	14%	60,863
2020-21	56,417	87%	8,397	13%	64,814
2019-20	62,795	85%	11,041	15%	73,835
2018-19	68,767	84%	13,026	16%	81,793
2017-18	71,839	84%	13,802	16%	85,641

Table 21: Non-Credit Reimbursable FTE by Instructional Area and Year						
	Lower Division Collegiate	**Career/ Technical Education**	**English Language**	**ABE/GED/ Adult High School**	**Develop-mental Education**	**Continuing Education**
2021-22	10%	25%	20%	31%	2%	12%
2020-21	12%	26%	16%	35%	2%	9%
2019-20	11%	24%	16%	29%	6%	13%
2018-19	11%	25%	16%	27%	7%	15%
2017-18	11%	24%	16%	28%	6%	14%

Other comments focused on potential unintended consequences, the strength of the incentives within the student success component, assuming it would only ever amount to 5% of total funding, and the challenges associated with measuring the progression of non-credit students in general.

A poll was taking during the January 27, 2023 meeting asking which student success metrics should be used in the formula. The results were mixed with 50% of those voting supporting 15 credit hours, 43% supporting 30 credit hours, 50% supporting gateway course completion, 71% supporting completion, and 29% indicating they supported the use of no student success metrics. The support for using credential completion as the student success metrics increased since the previous meeting.

The conversation continued during the February 1, 2023 meeting of the workgroup. Polling data during the meeting showed that 71% of those voting supported using both progression and credential metrics with 71% also supporting the inclusion of a non-credit metric. A proposal was made to add a non-credit metric, to the list of metrics previously proposed, that would be defined as the number of students who earned six contact hours in activity code 363 courses and twelve contact hours in activity code 310, 320, 330, or 340 courses. This includes adult basic education, adult high school, English as a second language, and other coursework that is typically non-credit in nature.

The discussion also focused on the weighting of progression and completion metrics. Polling data during the February 1, 2023 meeting showed that 54% of those voting supported more weight for progression metrics while 15% support more weight for completion metrics with 31% supporting an even distribution.

There was also discussion of the growth management component (GMC) during the January 27th meeting. In a larger sense, there was a discussion about how to incorporate funding stability within the formula design. Table 22 provides an overview of stability mechanisms in general.

Table 22: Types of Stability Mechanisms	
Automatic	• Calculated as part of the normal formula routine without regard to circumstance (enrollment, state funding level, etc.) • Examples – three-year average of data; increasing amounts of funding used during implementation.
Manual	• Often a separate calculation. • Should be based on circumstance. • Examples – stop-gain, stop-loss, hold harmless.

The current formula uses an automatic stability mechanism in that the data used is based on a weighted, three-year average. Doing so smooths out the peaks and valleys associated with volatility in the annual data. The use of automated stability mechanisms is expected to continue.

The current formula also uses a stop-gain mechanism called the Growth Management Component or GMC. This component was added after the great recession beginning with the 2011-13 biennium to prevent the erosion of funding per FTE. It essentially caps the number of funded FTE per college after allowing for a reasonable level of growth. If a college grows above the capped level, they must fund that enrollment growth with local resources.

The GMC was added during a time when enrollments were growing and state funding was flat or declining. The concern at the time was that larger, urban colleges would consume the majority of the additional, available state dollars leaving rural colleges with a reduced level of financial support. The GMC initially accomplished its goal; however, it also unintentionally affected smaller colleges, most notably Tillamook Bay and Klamath. A review of the GMC after implementation found these colleges did not receive state funding for all of their FTE growth during FY2012 through FY2014.

A growth management workgroup was established in 2016 to review the GMC and its unintended consequences. This work led to a cap of the GMC in that OAR 589-002-0120 (6)(c) was updated to state, “Beginning with the 2017-19 biennium, the Growth Management Component shall only apply to reimbursable FTE at or above 1,101.” This exempted smaller colleges from the GMC so they could benefit from the entirety of their enrollment growth. Currently four colleges are exempted including Clatsop, Columbia Gorge, Oregon Coast, and Tillamook Bay. However, in the recent past, the GMC cap has continued to affect Klamath Community College since their enrollment is over the cap but below 2,000 FTE.

The circumstances for which the GMC was created to respond no longer exist. Eliminating the GMC will likely have a minimal impact on the funding distributions by college as noted in Table 23. The GCM prevents Klamath from receiving funding for 13 FTE. Therefore, removing the GMC would fund those FTE and reallocate the funding from the other colleges.

Table 23: Projected Impact of Removing the GMC				
College	**FY2023 Current Distribution**	**FY2023 Adjusted Distribution**	**Variance**	
Blue Mountain	3,684,368	3,682,255	(2,113)	(0.1%)
Central	9,904,920	9,898,734	(6,186)	(0.1%)
Chemeketa	36,362,869	36,350,265	(12,603)	(0.0%)
Clackamas	19,196,806	19,188,318	(8,488)	(0.0%)
Clatsop	3,765,770	3,764,150	(1,620)	(0.0%)
Columbia Gorge	5,875,528	5,874,266	(1,262)	(0.0%)
Klamath	14,508,728	14,616,227	107,499	0.7%
Lane	27,700,840	27,690,526	(10,314)	(0.0%)
Linn Benton	24,397,119	24,390,312	(6,807)	(0.0%)
Mt. Hood	35,126,640	35,116,660	(9,980)	(0.0%)
Oregon Coast	3,213,679	3,212,929	(749)	(0.0%)
Portland	119,393,247	119,360,436	(32,810)	(0.0%)
Rogue	9,746,061	9,740,886	(5,715)	(0.1%)
Southwestern	8,387,456	8,384,599	(2,857)	(0.0%)
Tillamook Bay	3,455,540	3,454,745	(795)	(0.0%)
Treasure Valley	8,972,794	8,970,623	(2,171)	(0.0%)
Umpqua	14,215,105	14,211,536	(3,568)	(0.0%)
TOTALS	**$347,907,468**	**$347,907,468**	**-**	**-**

When presenting this information to the workgroup, some members expressed concern about future volatility in the formula. If the GMC is abandoned, then how is funding stability ensured? One way to do so is to commit to a stability review process.
Instead of incorporating a fixed, manual stability mechanism that responds to only one set of circumstances, it is possible to engage in a conversation with college stakeholders every biennium around funding stability. Once enrollment and state funding levels are known, the colleges can collaborate with HECC staff on modeling funding distributions by college and can then recommend the use of a manual stability mechanism as needed.

During the February 1, 2023 meeting, polling data showed that 21% of those voting supported keeping the GMC while 14% supported incorporating a stability review process without the GMC. The majority of those voting, 64%, voted to pursue both which means keeping the GMC while adding a stability review process.

Additional discussion centered on how to source the funding for the student support and success metrics. The discussion revolved around sourcing the funding through the equalization portion

of the formula or off the top of the formula. “Off the top” means the funding for the newly added components would be treated like categorical funding or a set aside in a similar fashion to how the strategic fund currently works. A poll taken during the February 1, 2023 meeting showed that 92% of those voting supported taking the funding off the top and recommended treating the funding like a set aside similar to the strategic fund.

HECC Staff Recommendations

Emerging research suggests that for community college funding systems to be equitable, they must account for the different levels of support needed to provide students from different backgrounds an equal opportunity to succeed.[25] Doing so infers amending the current funding formula so that it is more student-centric and efficient in marshalling the financial resources needed to facilitate equitable student success.

Adding two student-centered components will distribute formula funding in support of students who face the highest barriers to success and will emphasize student progression and success. Therefore, HECC staff recommends adopting the proposed model as envisioned by the formula review workgroup while retaining the components of the existing model. To retain the strengths of the existing model, the majority of funding will continue to be distributed via enrollment equalized among state and local resources (i.e. property tax revenue).

The transition to the amended model, to be called the Student Centered Funding Model (SCFM), should occur over time to ensure stability. A full set of HECC staff recommendations is included in Table 24.

Table 24:
HECC Staff Recommendations, Student Centered Funding Model (SCFM)

Policy Issue	Staff Recommendation	Additional Information
Student Support Funding	• Add a component to the formula based on headcount enrollment using the existing weighted, three-year average approach for priority populations of students. • The priority populations include low-income, adults, underrepresneted as identified by race/ethnicity, and CTE/Workforce Training. • Funding is added for those identified from multiple populations including 20% for two, 30% for three, and 40% for four.	The workgroup developed common ground via discussion around addressing adult learners, CTE/ Workforce Training, and equitable student success in a modified formula design. When polled, 77% of workgroup members who voted indicated support for this design noting concerns related to the low-income and CTE/ Workforce Training population metric definitions.

[25] Jesse Levin, Bruce Baker, Jason Lee, Drew Atchison, and Robert Kelchen, *An Examination of the Costs of Texas Community Colleges*, Institute of Education Sciences, October 2022.

Table 24: **HECC Staff Recommendations, Student Centered Funding Model (SCFM)**		

Student Success Funding	• Add a component to the formula using the existing weighted, three-year average approach for both progression and credential completion metrics.
	• The progression metrics include:
	  ○ Credit hour thresholds for students earning 15 and 30 credits including non-credit students.
	  ○ The number of students who have earned credit for a gateway course.
	  ○ Contact hour threshold for students in noncredit courses
	• The completion metrics include all credentials currently reported. State approved credit and non-credit credentials are to be treated equally.
	• Additional weighting of 50% is applied for completions earned by members of the priority populations noted above.
		The workgroup members generally supported adding this component; however, much discussion occurred around the design of it.
		
		After discussing the benefits and shortcomings of both progression and completion metrics, polling data showed 71% of workgroup members supported including progression and completion metrics in the design while 65% supported extra weighting for the priority populations.

Student Centered Funding Amount	Allocate no more than 10% of the total, biennial CCSF allocation to the recommended student support and student success components. This funding could be sourced in a similar manner as the strategic fund.	Consistent with workgroup's implementation principles that "targeted funding" be no more than 10% of the biennial CCSF allocation.

Table 24: **HECC Staff Recommendations, Student Centered Funding Model (SCFM)**		
Implementation Timeline	• 23-25 biennium: $25M (3.5% of current CCSF) • 25-27 biennium: $50M (7% of current CCSF) • 27-29 biennium: $70M (10% of current CCSF)	Consistent with workgroup's implementation principles.
Review Timeframe	The CCSF should be reviewed every five years to address unintended consequences, ensure continued alignment with state goals, and review data accuracy.	Workgroup suggested every three years. However, staff recommends five to be consistent with university review cycle and for funding stability.
Stability Management	Replace the Growth Management Component (GMC), and related biennial quality growth factor, with a stability review process. The stability review process would occur at least every biennium to consider current circumstances, specifically enrollment, state funding, and potentially others. The use of a manual stability mechanism (stop-loss, stop-gain, hold-harmless) would then be based on a recommendation from the Oregon President's Council (OPC) and community college business officers.	Consistent with OPC recommendation of including a permanent hold harmless provision. However, workgroup members and business officers raised concerns about the removal of the GMC prior to identifying a replacement mechanism.

Potential Impact

The proposed formula redesign will lead to a more student-centered funding formula providing additional resources for prioritized populations who often face the highest barriers to success. The recommendations build on the strengths of the current formula, align with state higher education goals, and center equitable student success.

Table 25 includes the potential impact of the recommendations on each college's funding distribution. This considers the projected distributions for FY2024 using the funding levels noted within the 2023-25 Governor's Request Budget calculated two different ways: one way using the proposed staff recommendations outlined in this report and the other way using the current funding model.

Table 25: Projected Impact of Recommendations on FY2024 Distributions

College	FY2024 Proposed Model	FY2024 Current Model	Variance	
Blue Mountain	3,357,039	3,341,976	15,064	0.4%
Central	11,375,201	11,425,435	(50,234)	(0.4%)
Chemeketa	38,354,316	38,405,373	(51,057)	(0.1%)
Clackamas	20,678,993	20,569,002	109,991	0.5%
Clatsop	3,493,751	3,489,944	3,807	0.1%
Columbia Gorge	6,307,399	6,286,412	20,986	0.3%
Klamath	16,244,259	16,316,101	(71,841)	(0.4%)
Lane	28,595,060	28,711,473	(116,414)	(0.4%)
Linn Benton	25,679,661	25,748,176	(68,516)	(0.3%)
Mt. Hood	38,265,980	38,179,942	86,038	0.2%
Oregon Coast	3,616,607	3,622,056	(5,449)	(0.2%)
Portland	129,254,240	129,393,789	(139,549)	(0.1%)
Rogue	9,321,405	9,210,733	110,672	1.2%
Southwestern	8,957,692	8,972,073	(14,381)	(0.2%)
Tillamook Bay	4,084,723	4,083,948	774	0.0%
Treasure Valley	9,936,643	9,942,798	(6,155)	(0.1%)
Umpqua	15,183,337	15,007,073	176,264	1.2%
TOTALS	**$372,907,468**	**$372,907,468**	-	-

Note: This analysis projects funding distributions for FY2024 using the funding level for the CCSF noted in the 2023-25 Governor's Request Budget. Enrollment, property taxes, and the base payment amount are all projected as part of the calculations.

A Focus on Affordability

Affordability is a challenging topic as no universally accepted definition of affordability exists. However, affordability is currently a key performance measure for the HECC accounting for two of the agency's 16 total. In this case, affordability is defined as the percentage of resident students who cannot meet expected costs after considering public grant aid, expected family contributions, and estimated student earnings, overall and by race/ethnicity.

This approach is consistent with what other states are using. Some states also measure other factors such as the average amount of student debt upon graduation or average wage earnings. Earnings of completers, or graduates, is also included in the HECC's performance measures.

Some states have decided to use affordability metrics in their funding formulas. To date, most research on this topic suggests there is complexity and unintended consequences with doing so. The relationship between the inclusion of these metrics and student completion has not been determined and therefore make many of these metrics unsuitable for inclusion in the formula at the present time.

It is important to note that other policy work is expected to affect affordability including the areas listed below.

- **State Funding** – the best way to promote affordability is to address the total funding allocated to the formula. National research shows that state appropriation increases generally get passed on to students via lower tuition, substantially lowers student debt originations, and shortens the time to degree completion.[26] The same study also shows that for every $1,000 per student a state spends on higher education, a student's odds of earning a bachelor's degree by age 25 increases by 1.5%, a student's likelihood of taking on debt decreases by 2%, and the total amount borrowed by the average student decreases by over $5,000.[27] Meanwhile, a related study shows that a 10% reduction in state funding over time at a public university leads to a 3.6% decline in bachelor's degrees awarded.[28] This would reduce progress made to attaining the state's higher education goals.

  The HECC's request for funding in the 2023-25 biennium is reflective of the affordability priority. The community college support fund request for 2023-25 represents an increase of 29.5%, or $206 million, over the current $699 million in funding. The request includes $50 million in one-time support designed to assist the colleges with financial viability. Increasing the state's contribution is the surest way to keep tuition affordable for future students.

[26] Rajashri Chakrabarti, Nicole Gorton and Michael Lovenheim, *State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-term Financial Outcomes of Students*, Federal Reserve Bank of New York, Staff Report No. 941, September 2020.
[27] Ibid.
[28] John Bound, Breno Braga, Gaurav Khanna and Sarah Turner, *Public Universities: The Supply Side of Building a Skilled Workforce*, National Bureau of Economic Research, 2019.

- **Financial Aid** – state financial aid programs could be more efficiently designed around a need-based approach to ensure limited resources are prioritized for those students with the greatest need. The redesign would also differentiate between pipeline and returning learners and fund students on a first-dollar basis. Additionally, one of the policy option packages included in the HECC's 2023-25 budget request would significantly increase outreach to students to support access to financial aid resources and postsecondary training for underrepresented students of color as well as low-income students. Meanwhile, the institutions are also increasing institutional aid through tuition remissions and using those dollars to leverage student affordability.

- **Transfer Pathways** – transfer pathways have been designed among community colleges and public universities to identify more efficient routes to earning a degree. In conjunction with accelerated learning opportunities offered at many of the state's high schools, students can design a more efficient approach to earning their degree that will hopefully reduce the total tuition cost over the course of their academic career.

A Focus on Equity

One of the clearly defined guiding principles of the formula is to focus on student access and success with an emphasis on underrepresented populations. Informed by the Oregon Equity Lens[29] and in an effort to counteract potential unintended consequences, the proposed formula incentivizes credential completions by prioritized populations in the student success component of the formula while also providing necessary support funding up front.

In funding formulas currently used across the nation, low-income students are the group most frequently included with related metrics or bonuses for completing low-income students. About half of the 30 states focused on success explicitly include race as a consideration.[30] Both groups are part of the four prioritized populations in the student support and student success components of the proposed framework.

With the current proposal, a little over half of the student-centered funding would be used to support and incentivize the completion of students in four prioritized populations. This includes low-income, adults, CTE/workforce training, and traditionally underrepresented as identified by race/ethnicity. Eventually up to 10% of the total funding will be allocated to these students in addition to existing enrollment-based funding.

[29] https://www.oregon.gov/highered/policy-collaboration/Pages/equity-success.aspx
[30] Kelly Rosinger, Justin Ortagus, Robert Kelchen, Alexander Cassell, and Nick Voorhees, "The Landscape of Performance Based Funding in 2020," Policy Brief, InformEd States, January 2020.

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Appendix

Table A: Example Annual Growth Factor Calculation

Step	Description	Value	Source/Calculation
A	Prior Biennium CCSF Reimbursable FTE Annualized	110,678	Formula calculations
B	Prior Biennium TPR Annualized	$337,041,314	CCSF funding + district's assessed property taxes (from January 2011)
C	Prior Biennium's TPR per Fundable FTE	$3,045	B/A
D	CCSF Current Service Level in Budget	6.57%	HECC Agency Request Budget
E	Cost Adjusted TPR per Fundable FTE	$3,245	C*(1+D)
F	TPR Annualized	$333,409,768	Formula calculations; CCSF funding + projected district assessed property tax
G	Preliminary Fundable FTE	102,746	F/E
H	Biennial Growth Component	-7.17%	(G-A)/A
I	Biennial Quality Growth Factor	0.0%	HECC Commission
J	Total Biennial Growth Management Component	-7.17%	H+I
K	**Annual Growth Factor**	**-3.59%**	J/2

Table B: Current College Size Factors

If FTE is:	Size Factor	If FTE is:	Size Factor
0-750	1.3513	2,751-3,250	1.0108
751-1,250	1.2784	3,251-3,750	1.0081
1,251-1,750	1.2062	3,751-4,250	1.0054
1,751-2,250	1.1347	4,251-4,999	1.0027
2,251-2,750	1.0641	5,000+	1.0000

Table C: Workgroup Survey, November 2022

The survey was conducted by HCM Strategists and included 13 questions with a response rate close to 80%. All of the survey questions, including the weighted average response rate for each potential response, are included below.

Respondents selected from the following five choices ranked one to five when averaging.

- Strongly oppose (1 point)
- Oppose (2 points)
- I can live with this (3 points)
- Support (4 points)
- Strongly Support (5 points)

Question 1: In a new formula, funds to support CTE should be allocated based on:

- All CTE courses; weighted avg 3.94
- Only CTE courses identified as high-value; weighted avg 2.20
- Both (extra weight given to high-value courses); weighted avg 3.00

Question 2: In a new formula, funds to support CTE should be allocated based on:

- Enrollment in CTE courses; weighted avg 4.44
- Progression in CTE courses or programs; weighted avg 2.54
- Completion of CTE degrees or certificates; weighted avg 1.86
- All of the above; weighted avg 3.18

Question 3: In a new formula, funds to support adult learners should be allocated based on:

- Enrollment of adult learners; weighted avg 4.38
- Progression of adult learners towards a degree, credential, or transfer; weighted avg 2.80
- Completion by adult learners of a degree, credential, or transfer; weighted avg 2.00
- All of the above; weighted avg 3.17

Question 4: For the purposes of the formula, the definition of adult learner should be:
The same as the state's adult attainment goal (ages 25-64); weighted avg 4.17

Question 5: Noting the data limitations that have been discussed, the new formula should include metrics related to the following priority populations:

- Low-income (aligned with Equity Lens and Adult Attainment Goal); weighted avg 4.29
- Race/ethnicity (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.65
- Rural (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.72
- First-generation; weighted avg 3.88
- English-language learner; weighted avg 3.82

Question 6: The new formula should include metrics related to the following priority populations only after a period of time (e.g. 3 years) to allow for data collection to improve:

- Low-income (aligned with Equity Lens and Adult Attainment Goal); weighted avg 4.12
- Race/ethnicity (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.71
- Rural (aligned with Equity Lens and Adult Attainment Goal); weighted avg 3.59
- First-generation; weighted avg 3.89
- English-language learner; weighted avg 3.82

Question 7: The new formula should include both credit and non-credit credentials and treat non-credit and credit courses/credentials the same, except for statutorily-excluded hobby/recreation courses.

Weighted average: 4.59 (yes/no question)

Question 8: The new formula should not count non-credit courses/credentials in its metrics.

Weighted average: 1.59 (yes/no question)

Question 9: If the new formula were to include metrics on progression and completion, the following metrics should be included:

- Earned student credit hours; weighted avg 3.38
- Students reaching earned credit hour benchmarks (e.g. 15 hours, 24 hours, etc.); weighted avg 3.00
- Gateway courses completed; weighted avg 2.93
- Certificates/degrees completed; weighted avg 2.93
- Transfer to a 4-year institution; weighted avg 2.80
- Time to certificate/degree completion; weighted avg 1.80
- Graduation rates; weighted avg 2.00
- Workforce outcomes (e.g. job placement, earnings); weighted avg 2.53

Question 10: If progression or completion metrics are used, they should be introduced in the formula:

- In the first year with no hold harmless provision; weighted avg 1.35
- In the first year, but with a hold harmless mechanism in place for three years; weighted avg 2.13
- After a few years, with data provided to colleges on what the impact would have been on the formula; weighted avg 2.81

Question 11: The workgroup's recommended formula should apply to:

- 100% of CCSF funding (the entire $905M requested in 2023-25); weighted avg 1.56
- A portion of the baseline funding (the $700M from 2021-23); weighted avg 1.94
- All of the increase requested in the 2023-25 ARB ($205M); weighted avg 2.13
- The $50M transition fund; weighted avg 2.94
- The Funding Need ($91M); weighted avg 2.82
- Additional funds requested above and beyond the current $905M; weighted avg 3.94

Question 12: Once fully phased-in, the percentage of the total state funding that should go through the workgroup's recommended formula is:

- 5%; weighted avg 3.31
- 5% - 10%; weighted avg 2.81
- 10% - 15%; weighted avg 2.31
- 15% - 20%; weighted avg 1.81
- 20% - 25%; weighted avg 1.63
- 25%+; weighted avg 1.76

Question 13: The workgroup should recommend a specific dollar amount for the formula rather than a percentage.

Weighted average: 3.41 (yes/no question)


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