



State Council of
Higher Education for Virginia

Opportunity Act: Targeted Economic and Innovation Incentives Funding

Jim Alessio

October 24, 2011

A Funding Context

Base Operations	Initiatives	Incentive Funding	Enrollment Growth
	<ul style="list-style-type: none">• From Six-Year Plans• Unique to institution• Research• Year-round use of facilities• Course redesign• Resource sharing• On-line courses	<ul style="list-style-type: none">• Bachelor and associate degree production• STEM-H production• Accelerated-time-to-degree• Progression	<ul style="list-style-type: none">• STEM-H enhancement
Enhance Quality		Enhance Production	

Economic and Innovation Measures

1. Increased enrollment of Virginia students.
2. Increased degree completion for Virginia residents who have partial credit completion for a degree.
3. Increased degree completion in a timely or expedited manner.
4. Improved retention and graduation rates.
5. Increased degree production in the areas of STEM-H.
6. Increased research.
7. Optimal year-round utilization of resources and other efficiencies.
8. Technology enhanced instruction.
9. Enhanced community college transfer programs and grants.
10. Other incentives based on economic opportunity metrics.

Maintenance of effort initiatives shall also be considered for individual institutions with unique missions and demonstrable performance in specific incentive areas.



Economic and Innovation Measures

- **Incentive Funding**
 1. **Increased enrollment of Virginia students.**
 3. **Increased degree completion in a timely or expedited manner.**
 4. **Improved retention and graduation rates.**
 5. **Increased degree production in the areas of STEM-H.**
- **Initiatives – from Six-Year Plans**
 6. Increased research.
 7. Optimal year-round utilization of resources and other efficiencies.
 8. Technology enhanced instruction.
- **Other**
 2. Increased degree completion for Virginia residents who have partial credit completion for a degree.
 3. Enhanced community college transfer programs and grants.

Economic and Innovation Measures

SCHEV funding recommendations (pages 36 and 37 of Agenda Book) -
\$12.8M in FY2013 and \$14.9M in FY2014.

- Student Success
- Two-Year Transfer Grant
- 4-VA Partnership
- ODU/VCCS Partnership
- Fund for Excellence and Innovation

Funding Model

- Performance measures and incentives for enrollment growth, degrees, high-need programs, access, and graduation and progression rates are not new to institutions. The Economic and Innovation Measures build off of and extend the measures from Restructuring.
- Incentive funding is one element of an interrelated funding model.
- To be effective, incentive funding should be seen during this funding cycle as an adjunct to “base” funding – roughly, \$1 for every \$2 of cost of education recommendation and \$1 for every \$3 of total GF operating budget recommendation (see page 39 of Agenda Book) – about \$80M over the biennium.
- Over time, elements of incentive funding should be integrated into the base funding model by incorporating key performance elements.

Recommendation: SCHEV, working with the Governor and General Assembly, should review the funding model and recommend ways to incorporate elements of the incentive funding into the cost of education funding model, i.e., degrees in addition to enrollment. SCHEV further recommends that any incentive funding for performance should be incorporated into institutional base funding.

STEM-H

- Incentive funding for STEM-H appears in base funding and throughout incentive funding.
 - The base funding model applies more favorable funding ratios to STEM-H enrollments.
 - The incentive funding proposes to provide:
 - A STEM-H bonus for enrollment growth
 - Additional STEM-H points for degree growth
 - Additional STEM-H incentives through financial assistance and internship programs
- Although STEM-H is important, it seems to be overstated in incentive funding.

Recommendation: SCHEV recommends that the HEAC review the emphasis placed on STEM-H and determine a balance that meets the needs of the Commonwealth between STEM-H and non-STEM-H disciplines.



Enrollment Growth

Eligibility

The average six-year graduation rate for the previous three years is 70 percent or higher - **or** - the most recent three year average must be equal to or greater than the three year average calculated in the previous year.

- Per-student funding allocated to projected in-state enrollment growth by year.
 - \$2,650 per in-state student at four-year institutions
 - \$1,650 per in-state student at two-year institutions
- STEM-H bonus of 50 percent based on actual percentage of total degrees granted
 - \$1,325 for four-year institutions
 - \$825 for two-year institutions
- Fifty-percent of incentive allocated July 1, adjusted after fall census for actual enrollments.
- Incentive amount adjusted in future years to match TAG.

Enrollment Growth

SCHEV Staff Concerns

- Growth in enrollment comes from several sources: new students, transfer students, and retention.
- Some institutions are planning to grow through enrollment of additional two-year transfers and retention.
- Limiting enrollment growth funding to institutions with an average six-year graduation rate or an increase in the three-year average seems to be counter to improvement in retention and graduation rates.
- SCHEV budget recommendations provide TAG-recommended amount for all projected enrollment and does not include a STEM-H add-on.

Recommendation: SCHEV encourages the HEAC to reconsider the eligibility requirement for the enrollment growth incentive. The enrollment growth incentive should be available to all institutions that project growth in in-state undergraduate students.

Degree Growth Incentive Point System

Premise

Keep incentives and measures simple, straightforward, limited in number and focused on Commonwealth higher education goals.

Driven by a point system, with the value of a point determined by the available funding pool. (Total # of points earned ÷ dollars in funding pool = Dollar value per point)

Weighted factors receiving points:

- (5) Bachelor's degrees awarded, three year average.
- (3) Bachelor's degrees awarded in STEM-H fields, three year average.
- (2) Bachelor's degrees awarded in four years or less, three year average.
- () Bachelor's degrees awarded to under-represented students, three year average.
 - (1) Minority students
 - (1) Pell grant students
 - (1) Over 25 at entry
- (1) Each advanced degree awarded in STEM-H fields.
- Three year averages for degree attainment are now weighted such that figures for 2009-10 are multiplied by a factor of three, 2008-09 by a factor of two, and 2007-08 by a factor of one. This adjustment still recognizes earlier production, but emphasized the most recent performance.

Degree Growth Incentive Point System

SCHEV Staff Concerns

- Staff supports efforts to base incentive funding on improved performance and welcomes the addition of a year-based weighting factor. This does not, necessarily, imply increase in degree production.
- Increases in the number of degrees will be important in meeting the commitment to 100,000 additional degrees.
- The addition of an explicit element that recognizes increases in the number of degrees would enhance factors used in the allocation method.

Recommendation: SCHEV recommends the HEAC consider additional point-weighting factors that recognize improved performance in degree growth and improved performance of degree progression of under-represented students.

Degree Growth Incentive

Efficiency Factor

Premise

Keep incentives and measures simple, straightforward, limited in number and focused on Commonwealth higher education goals.

Driven by a point system, with the value of a point determined by the available funding pool. (Total # of points earned ÷ dollars in funding pool = Dollar value per point)

Efficiency Factor: Measures an institution's total revenues (unrestricted state and student tuition and fees) per degree and six-Year graduation rates compared to each institution's state-approved salary peer group (publics only) institution average. The adjustment for STEM-H earnings has been deleted.

The "Efficiency Factor" consists of two elements:

- A measure of the revenues (appropriations and student tuition and fees) per degree awarded - not a measure of cost per degree – compared to the average of an institution's public salary peer group.
- A comparison of the six-year graduation rate to the average six-year graduation rate of an institution's salary peer group (all institutions).

Degree Growth Incentive

Efficiency Factor – revenues per degree

SCHEV Staff Concerns

- Although the elimination of STEM-H earnings is a significant improvement, staff still have concerns about the implementation of the “Efficiency Factor.”
- The calculation of revenues per degree may show promise as a viable measure, but there isn’t a complete understanding of this measure and its change over time.
- Comparing a measure to a set of institutions does not, necessarily, encourage improvement.
- The number of public peer institutions is at or below 15 for ten of the institutions with two institutions having three or fewer public peers.

Recommendation: SCHEV recommends that the revenue per degree be used as an interim measure as policy makers continue to analyze the measure. SCHEV further recommends that it develop an alternate set of peer institutions to be used in this year’s calculation. The alternate set will be based on the statistical model used to determine peer groups and consist of equal number of public peers for unique to each Virginia institution.

Degree Growth Incentive

Efficiency Factor – graduation rate

SCHEV Staff Concerns

- Increase in graduation rate is an important element of the Opportunity Act and essential for achieving 100,000 additional degrees. As such, it should play an important role in incentives for degree growth.
- Comparing graduation rate to the average of the salary peer institutions does not, necessarily, encourage institutions to improve their rate. As long as an institution stays above the peer average, improvement is not necessary.
- Although salary peer institutions are “similar” to the Virginia institution in the aggregate, they may not be very “similar” in terms of graduation rate. Graduation rate is one of up to 20 elements considered in the statistical model. So, graduation rate may not have a significant role in the selection of salary peer institutions. In fact, it might be impossible for some institutions to ever reach or exceed the average graduation rate of their salary peer institutions.

Recommendation: SCHEV recommends that HEAC reconsider using comparison of graduation rate to the salary peer group average. Instead, the emphasis should be on institution improvement of its graduation rate over time.

Additional STEM-H Incentives

- Examine student financial assistance policies to determine whether State provided aid might be used to support STEM-H students.
 - Tuition waivers
 - Aid/scholarships
 - Loan debt forgiveness
- Governor's Internship Grant Program
 - The best motivator is the prospect of a job.
 - Summer internships in sophomore and junior year.
 - Commonwealth and employers share cost of internships equally.
 - Administration expense assumed by participating colleges and universities.

Performance Measures

- Incremental annual growth in enrolled Virginian undergraduates.
- Incremental annual growth in bachelor's degrees awarded.
- Incremental annual growth in STEM-H degrees granted by level.
- Incremental annual growth in the number of under-represented students awarded bachelor's degrees.
- Incremental annual growth in the number of bachelor's degrees awarded in four years or less.
- Incremental annual growth in the number of advanced STEM-H degrees granted.
- **Incremental annual growth in the number of institutions exceeding peer performance in six-year graduation rate and public revenues per degree.**
- Incremental annual growth in the total number of under-represented students who progress from one academic level to the next.

Performance Measures

- Incremental annual growth in the number of institutions exceeding peer performance in six-year graduation rate and public revenues per degree.

Recommendation: SCHEV recommends that

- **The performance measure for revenue per degree be reexamined after SCHEV review.**
- **The performance measure of graduation rate be measured as improvement over a base year and not against the salary peer average.**