WEST VIRGINIA Higher Education Policy Commission

WEST VIRGINIA Community & Technical College System

Joint Standing Committee on Finance

November 15, 2021

West Virginia
Higher Education
Policy Commission

Andrew A. "Drew" Payne III
Chair

Sarah Armstrong Tucker, Ph.D.
Chancellor

www.wvhepc.edu

West Virginia
Council for Community
and Technical
College Education

Christina Cameron
Chair

Sarah Armstrong Tucker, Ph.D.
Chancellor

www.wvctcs.org

1018 Kanawha Blvd., East
Suite 700
Charleston, WV 25301
304-558-2101 (phone)
304-558-1011 (fax)

November 12, 2021

The Honorable Eric Tarr, Co-Chair
The Honorable Eric Householder, Co-Chair
Joint Standing Committee on Finance
West Virginia Legislature
State Capitol Complex
Charleston, West Virginia 25301

Re: Higher Education Funding Model

Dear Committee Co-Chairs:

Senate Bill 760, passed during the 2020 Legislative Session, amended W.Va. Code §18B-1B-4(d) to require the West Virginia Higher Education Policy Commission (Commission) and the West Virginia Council for Community and Technical College Education (Council) to examine and analyze the general revenue appropriations to public institutions of higher education. The statute also requires that, by October 1 of each year, the Commission and Council shall recommend to the Legislature a formula or methodology for the allocation of general revenue to be appropriated to our higher education institutions. Id. Further, the Code specifies that the Commission and Council shall consider the needs of each institution relating to a base-level of appropriation support and mission differentiation, and required that our agencies seek to develop a consensus on the formulas and methodologies in our recommendation. Id.

Following unavoidable delays in 2020 and early 2021 due to the COVID-19 emergency, our agencies and the presidents of our public institutions have resumed work toward a recommended funding formula for higher education in West Virginia. Throughout the spring and summer, we had discussions with presidents and legislators about general recommendations for resuming our previous progress on a funding model, as well as the timeline to make a recommendation by the 2022 Regular Session.

On September 15-16, 2021, the Commission and Council convened an in-person working session with community college and baccalaureate institution presidents and their chief academic and finance officers to recap progress that had been made and to evaluate previously proposed recommendations. We were joined by national funding model experts from HCM Strategists, who provided an overview of funding formulas in place across the country. HCM also provided an in-depth review of the Tennessee Outcomes Based Funding Formula, an historically successful model which is serving as a basis for West Virginia's proposed formula.

From that working session summit, both two-year and four-year institution leaders agreed to a broad framework incorporating a variety of outcomes-based metrics, including progression toward degree completion, degree production and institutional efficiency. Under this proposed framework, each institution's annual base appropriation would be determined, in part, by the number of students who reach key credit-hour accumulation milestones, earn a high-quality certificate or degree, and contribute to the overall economic health of the state through research and development.

Institutions will work with the Commission and Council to negotiate mission-specific weights (from a predetermined range) that will determine the extent to which each metric will contribute to the institution's overall score. For example, Marshall University, West Virginia University, and West Virginia State University might choose to place a greater emphasis on research than other institutions because of their research mission. As is done in Tennessee, these selections would be re-evaluated every five years at which point the institutions could alter their weighting percentages.

In the proposed framework, all institutions would be measured for efficiency – the number of certificates and degrees produced for every 100 full-time equivalent (FTE) students. Other metrics we are currently evaluating include successful transfer of a student from a community and technical college to a baccalaureate institution and additional premiums for students belonging to certain focus populations, including low-income and academically underprepared students.

An additional "premium" we are currently developing would credit institutions for producing degrees in high-demand fields. This would offset the increased costs incurred by institutions as they work to expand existing programs or develop new programs to respond to the state's evolving workforce demands.

As you will recall, we were asked to present this update during the October 2021 interim meetings, but the presentation was postponed due to the work on legislative redistricting. Since that time, we have met via teleconference with presidents from both institutions and have engaged a national economic data modeling firm, EMSI, to help jointly develop with the West Virginia Department of Commerce the criteria for determining the high-demand career fields in our state and regions within the state.

We continue to collaborate with all institutional presidents and have received constructive feedback from them as we narrow the key elements of the funding model. We are ironing out questions about the value of a non-resident student versus a resident student (this is a four-year institution question) and how students who transfer will be credited (this is a two-year institution concern).

On November 8, 2021, Senate Finance Chairman Tarr convened a key group of institution and Commission and Council leaders to evaluate the potential of including graduate wage data as an outcomes metric in the funding model. While we have extremely limited and incomplete data currently available for consideration, we are actively seeking potential sources of more precise data or other methods that could be used to allow this as a valid metric.

We also in October created a "Coding Review Committee" comprising data and institutional research representatives from our colleges and universities. These team members are working with Commission and Council staff to review the programming code that is used when executing the funding model data reports. This provides an additional measure of confidence in the datasets that will be used to determine funding levels for our colleges and universities.

As we cultivate the data sources for these additional metrics and reach agreement from the institutions and Commerce on these elements, we will begin to run funding scenarios based on currently available data.

We have important work ahead, and I will keep you updated as we move forward. Please share with me any questions you may have.

Sincerely,

Sarah Armstrong Tucker, Ph.D.
Chancellor

WEST VIRGINIA Higher Education Policy Commission
WEST VIRGINIA Community & Technical College System

Outcomes-Based Funding Formula

Proposed Framework

November 3, 2021

Outcomes

Community Colleges

Progression Metrics

Students Accumulating 15 hrs. ✪
Students Accumulating 30 hrs. ✪
Students Accumulating 45 hrs. ✪

Completion Metrics

Associate and Bachelor's Degrees Awarded ✪ ✿
Academic Certificates Awarded ✪
Transfers to a Four-Year Institution ✪
Workforce Certificates Awarded[1]
Workforce Training / Contact Hours Completed

Efficiency Metrics

Awards per 100 FTE

Baccalaureate Institutions

Progression Metrics (Undergraduate)

Students Accumulating 30 hrs. ✪
Students Accumulating 60 hrs. ✪
Students Accumulating 90 hrs. ✪

Completion Metrics

Associate and Bachelor's Degrees Awarded ✪ ✿ ⧗
Master's Degrees and Post-Master's Certificates Awarded
Doctoral / Law Degrees Awarded

Research and Development Metrics

Expenditures on Research and Development

Efficiency Metrics

Awards per 100 FTE

✪ = Focus population premium applies[2] ✿ = High-demand field premium applies ⧗ = On-time bachelor's completion premium applies

[1]Workforce completions will not be included in the implementation year due to unavailability of data.
[2] Focus population premiums apply only to West Virginia resident students.

Focus Populations

Academically Underprepared Students
Adult Students (25 and older)
Historically Underrepresented Students
Low-Income Students

Focus Population Premiums

1 Focus Population = 80% = 1.8 Outcomes
2 Focus Populations = 100% = 2.0 Outcomes
3 Focus Populations = 120% = 2.2 Outcomes
4 Focus Populations = 140% = 2.4 Outcomes

High-Demand Field Premiums

Programs and weights TBD

On-Time Completion Premium*

Bachelor's Completed in 8 Sems. = 20% = 1.2 Outcomes
*Baccalaureate institutions only