



## Background & Context

In May 2013, the Montana University System (MUS) adopted a performance funding model to augment the university system's allocation methodology for distributing state appropriations to campuses. This first version of the MUS performance funding model allocated \$7.5 million of state dollars in fiscal year 2015, approximately 5% of total state appropriations. The model utilized two basic metrics for all campuses, freshmen to sophomore retention of first-time, full-time students and the annual number of undergraduate degrees and certificates awarded.

Following the approval of the initial performance funding model, a Performance Funding Taskforce comprised of MUS administrators and faculty leaders, designed a more detailed model. The Montana Board of Regents approved the model in May 2015 for allocation of funds in fiscal years 2016, 2017 and beyond. This current version of the performance funding model is used to allocate \$15 million of state appropriations per year, approximately 8% of the total state appropriation to the MUS educational units.

## Performance Funding Model Criteria

1. **Goal:** Utilize performance funding as a system-wide strategy to increase degree production and help reach the State's goal of increasing the percentage of the population with a higher education credential from 40% to 60%.
2. **Objectives:** The primary objective of performance funding is to improve student learning and attainment outcomes. To help guide the MUS Performance Funding initiative and the development of outcome metrics, six priority target areas have been identified. The target areas are intended to drive metrics that vary by institutional type, as well as promote mission differentiation and innovative institutional-level strategies.
  - Increase success of under-represented student populations (ex. economically disadvantaged, American Indian, and veterans);
  - Increase early college access for Montana high school students;
  - Improve student success in freshmen year (ex. freshmen/sophomore retention, improve success of students in developmental courses);
  - Increase the number of students transferring from 2-year to 4-year campuses;
  - Increase the number of students completing degree and certificate programs, particularly in niche program areas with significant economic impact to Montana; and
  - Grow graduate education and research capacity consistent with institutional missions.
3. **PF Allocation Share:** Each campus is eligible to receive a share of performance funding based on its three-year resident student FTE average. Three-year averages are calculated based on the most recent enrollment data available. The distribution percentages for each campus are used in allocation determinations.

4. **Metrics:** Each sector (Flagships, 4-year Regionals, and 2-year Colleges) has a unique set of metrics. All campuses share two metrics – retention and undergraduate degrees/certificates awarded. Additional metrics are included to reflect mission differentiation by campus type. (see #11 for metric definitions)

<u>METRICS</u>	Flagships MSU & UM	4-year Regional UMW, MT Tech, MSUB, MSUN	2-year Colleges Missoula, Great Falls, Highlands, Helena, City, Gallatin
Degrees/Certs. Awarded or Graduation Rates	X	X	X
Retention Rates	X	X	X
Graduate-level Degrees & Certificates Awarded	X		
Research Expenditures	X		
Masters-level Degrees & Certificates Awarded		X MT Tech & MSUB	
Dual Enrollment		X UMW & MSUN	X
Gateway Course Success			X
Credit Accumulation			X
Under-represented/At-risk Retention Rates	X	X	X
Under-represented/At-risk Undergraduate Degrees & Certificates Awarded	X	X	X

5. ***Under-represented/At-risk Populations:***

Two metrics focused specifically on this population will be included in the model: 1) retention rates; and 2) the number of undergraduate degrees and certificates awarded. Under-represented/at-risk populations measured include: 1) American Indians, 2) low income students (Pell recipients), veterans, and non-traditional students (25+ years or older). Metrics for these groups will be based on unduplicated counts across all four populations of under-represented/at-risk students.

6. **Annual Measurements:** Metrics are measured annually and progress is determined by comparing current levels to prior three-year averages. It is important to note that progress is determined by individual campus improvements over an individual campus' prior three-year average. In other words, campuses compete against themselves, not against each other.
7. **Metric Weights:** The outcomes for each metric are weighted in order to emphasize the primary metrics and adjust the model to better reflect differences in mission and campus type. The table below displays weights for each metric.

METRICS	Flagships	4-year Regional	2-year Colleges
Undergrad Degrees & Certificates	30%	40%	30%
Retention Rates	30%	40%	30%
Graduate Degrees & Certificates	15%		
Research Expenditures	15%		
Master's Degrees & Certificates		10% (MT Tech & MSUB)	
Dual Enrollment		10% (UMW & MSUN)	10%
Gateway Course Success			10%
Credit Accumulation			10%
<b>Under-represented/At-risk</b>			
Retention Rates	5%	5%	5%
# of Degrees & Certificates Awarded	5%	5%	5%

8. **Standard Index Score:** Metric values are indexed to a standard scale of 1,000 points and a growth target is established. As a result, progress is based on the composite results of all metrics, rather than independently on the results from individual metrics. Scores above 1,000 represent improvement; scores below 1,000 represent regression. A growth target of 1% was adopted, equating to 1,010 standard index score. Thus, campuses must achieve an index score above 1,010 to receive their total eligible share of performance funding. Below is an example of the conversion of metric results to standard index scores.
9. **Transitional-loss Zone:** A transitional-loss zone is created to account for random, non-systematic fluctuations in the metrics. Campuses that fall below the target, but within the transitional-loss zone receive a portion of their eligible funding amount. Transitional-loss zones are established for each campus based on the standard deviations of historical standard index scores.
10. **Residual Funds:** Residual funds are produced when a campus does not receive 100% of its performance funding allotment in a given year. Campuses that fall short can apply for a portion of the funds to be granted back to the campus for targeted improvement in specific areas (e.g. retention). Plans must be approved and monitored by OCHE. The Commissioner may also allocate residual funds for general operating budget stabilization and/or system initiatives.

**11. Definitions:**

METRICS	DEFINITIONS
Undergraduate Degrees & Certificates Awarded	Annual number of undergraduate degrees and certificates awarded. Includes two and four-year degrees, as well as one-year certificates and less than one-year certificates (16 to 29 credits, Cert of Technical Studies - CTS) awarded at 2-year colleges.
Retention Rates	Fall to Fall retention rates. The percentage of first-time, full and part-time freshmen and new transfer students returning for a second year of enrollment at any campus in the MUS.
Graduate-level Degrees & Certificates Awarded	Annual number of graduate-level degrees and certificates awarded, including graduate-level certificates, masters, 1st professional, and doctoral degrees.
Research Expenditures	All expenditures reported on the annual National Science Foundation (NSF) survey as the total amount of Higher Education Research and Development (HERD) expenditures.
Masters-level Degrees & Certificates Awarded	Annual number of masters-level degrees and certificates awarded, including graduate-level certificates and master's degrees.
Dual Enrollment	Annual number of high school students enrolled in at least one college class; summer term unduplicated count plus fall term unduplicated count plus spring term unduplicated count. The summer preceding the school year is used for this metric.
Gateway Course Success Rates	The number of first-time freshmen earning credit in at least one college level (100 level or higher) Writing and Math courses during previous Dual Enrollment or their first academic year from any campus within MUS. Each subject is calculated separately and the composite rate is used as the metric.
Credit Accumulation	First-time, full-time students completing 24 or more credit hours within their first academic year AND first-time, part-time students completing 12 or more credit hours within their first academic year.
Under-represented/At-risk Retention Rates	Fall to Fall retention rates. The percentage of first-time, full and part-time freshmen and new transfer students returning for a second year of enrollment at any campus in the MUS.
Under-represented/At-risk # of degrees & certificates awarded	Annual number of degrees and certificates awarded (see full definition above). Four-year campuses with graduate programs will be measured on combined undergraduate and graduate counts