

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 allocated \$30 million of state appropriations (\$15 million in both fiscal years 2016 and 2017), 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. At the beginning of each biennium, three-year averages are calculated based on the most recent enrollment data available. The distribution percentages for each campus are used in allocation determination for both years of the biennium.



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 #12 for metric definitions)

	Flagships MSU & UM	4-year Regional UMW, MT Tech, MSUB, MSUN	2-year Colleges Missoula, Great Falls, Highlands, Helena, City, Gallatin
METRICS			
Undergraduate Degrees & Certificates Awarded	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
Remedial Success			X
Credit Accumulation			X
To be implemented starting with FY21 Allocation			
Under-represented/At-risk - Retention Rates	X	X	X
Under-represented/At-risk - Degrees & Certificates Awarded	X	X	X

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

FY20: For each primary metric, under-represented/at-risk groups are measured as part of the whole as well as individually. The primary metrics include retention and undergraduate completions measured for all under-represented/at-risk groups and graduate completions at the Flagship campuses measured for American Indians only. Under-represented/at-risk populations measured within the performance funding model include: 1) American Indians, 2) low income students (Pell recipients), veterans, and non-traditional students (25+ years or older).

FY21 and beyond: Two metrics focused specifically on this population will be included in the model: 1) retention rates; and 2) the number of 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.**

IMPLEMENT for FY 2021 Allocations

6. **Bonus Points:** In addition to being included in general population counts for each metric, under-represented/at-risk populations are measured independently for each primary metric and bonus points are awarded for improvements made within these groups. Bonus points are calculated by



multiplying points accumulated above the standard index score by .25 (see bullet #9 Standard Index Score for more detail) **REMOVE prior to FY 2021 Allocations**

7. **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 each against each other.

8. **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.

FY20 Allocations	METRICS			
	Undergrad Degrees & Certificates	30%	40%	30%
	Retention Rates	30%	50%	30%
	Graduate Degrees & Certificates	20%		
	Research Expenditures	20%		
	Masters Degrees & Certificates		10% (MT Tech & MSUB)	
	Dual Enrollment		10% (UMW & MSUN)	15%
	Remediation Success			12.5%
	Credit Accumulation			12.5%
	Weights for Underrepresented Group Metrics			
Undergrad Degrees & Certificates	37.5%	50.0%	50%	
Retention Rates	37.5%	50.0%	50%	
Graduate Degrees Awarded	25.0%			
To be implemented starting with FY21 Allocation	METRICS			
	Undergrad Degrees & Certificates	30%	40%	30%
	Retention Rates	30%	40%	30%
	Graduate Degrees & Certificates	15%		
	Research Expenditures	15%		
	Masters Degrees & Certificates		10% (MT Tech & MSUB)	
	Dual Enrollment		10% (UMW & MSUN)	10%
	Remediation Success			10%
	Credit Accumulation			10%
	Under-represented/At-risk			
Retention Rates	5%	5%	5%	
# of Degrees & Certificates Awarded	5%	5%	5%	

9. **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.

10. **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.

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



12. **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 from sponsored activities (research, instruction, and other sponsored activities) managed by the respective research offices as restricted funds via grants, contracts, or cooperative agreements, per BOR Policy 401 & 404.
Masters-level Degrees & Certificates Awarded	Annual number of masters-level degrees and certificates awarded, including graduate-level certificates and masters degrees.
Dual Enrollment	Annual number of high school students enrolled in at least one college class; fall term unduplicated count plus spring term unduplicated count.
Remediation Success	The number of first-time freshmen enrolling in at least one remedial Writing or Math course during their first academic year and continuing on to complete a college level Writing or Math course within two academic years from any campus within MUS.
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 wth graduate programs will be measured on combined undergraduate and graduate counts