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INTRODUCTION

By 2020, more than 60 percent of job openings in Georgia will require some form of postsecondary education, whether a certificate, associate’s degree, bachelor’s degree or beyond.¹ Yet today, only slightly more than 40% of young Georgians hold a postsecondary credential. To remain competitive, Georgia must not only maintain current graduation levels, but also produce an additional estimated 250,000 graduates in upcoming years. Georgia must increase the number of students with access to higher education and ensure that these students graduate with postsecondary degrees in a timely manner.

HISTORY OF COMPLETE COLLEGE GEORGIA

Governor Deal launched “Complete College Georgia” in August 2011 and laid out six steps to increase access, retention, and completion at all institutions in the state’s University System and Technical College System to meet the state’s projected economic development needs. Complete College Georgia called on leaders in higher education to:

1) Develop comprehensive system-wide and campus-level completion plans
The University System of Georgia (USG) and the Technical College System of Georgia (TCSG) submitted a joint completion plan in December 2011, which outlines a collaborative process to guide the work of the state’s 60 institutions of higher education to rapidly increase the proportion of young adults with a certificate or degree, while maintaining a commitment to quality. ² The plan emphasizes partnerships and accountability, performance, and college readiness and access. Georgia became the first state in the nation to have a completion plan from every public institution of higher education in September 2012.³ The individual campus completion plans focus on improvements to data collection and analysis, partnerships with K-12, reduction of the time it takes to earn a college degree, and new models of instruction and remediation.

2) Restructure select Technical College programs to better support working students
Restructuring how education is thought of and how it is delivered can improve college completion and shorten the amount of time it takes a student to attain a degree, particularly for adult and part-time students. In Fall 2012, programs of study in accounting, air conditioning, networking specialization, medical assisting, and automotive technology were available in block scheduling at all 25 TCSG institutions to better meet the needs of students.

3) Increase Course Articulation to build a seamless education system
Articulation and transfer agreements provide students with important paths for transitioning within and across systems of higher education. There are now 27 courses transferable to and from USG institutions and TCSG institutions⁴.

⁴ Media Release: Regents Approve 17 General Education Courses for Transfer to Support Complete College Georgia Goals http://www.usg.edu/news/release/regents_approve_17_general_education_courses_for_transfer_to_support_comple
4) **Improve remediation**

Students admitted to college but unprepared to earn college credit are often placed in learning support classes, which do not count toward degree hours. The University System of Georgia’s two-year colleges provide remediation to 59 percent of entering students, and its 14 state colleges provide remediation to 48 percent of entering students. All 25 institutions in the Technical College System of Georgia provide remediation to 26 percent of first time entry students. With a $1 million Complete College America grant, College of Coastal Georgia, Georgia Gwinnett College, Athens Technical College, and DeKalb Technical College are piloting innovative forms of remediation.  

5) **Create a needs-based college scholarship program**

In February 2012, Governor Deal launched the REACH Scholarship. REACH Scholars are selected in middle school and sign a contract to maintain a certain grade average, remain crime, drug, and behavior issue free, and meet with a volunteer mentor until they graduate from high school. Their parents or guardians also sign a contract to support their student through their education. Students who complete program requirements receive a renewable yearly tuition scholarship of $2,500 to be used at any HOPE eligible institution. This amount covers the average gap between other needs-based scholarships, such as Pell, and the full cost of attendance.  

6) **Form the Higher Education Funding Commission**

The current funding formula incentivizes enrollment growth but not outcomes, and it rewards institutions for increasing the number of students attending college but does not consider whether or not institutions are successful in seeing those students through to successful degree completion. Governor Deal charged the Commission with examining ways to change the higher education funding formula to incentivize completion and to make recommendations to the Governor by the end of 2012.  

**SCOPE AND WORK OF THE HIGHER EDUCATION FUNDING COMMISSION**

The work of the Higher Education Funding Commission comprises the final plank of Governor Deal’s Complete College Georgia initiative. After focusing on access and retention through the launch of the REACH scholarship, the preservation of the HOPE Scholarship, and a close examination of state-level policies to promote student success, Governor Deal formed the Commission to examine ways to encourage colleges and universities to turn their efforts to completion through the state’s funding formula. Under the current funding formulas, the systems receive funding when a student enrolls. However, there is no consideration for whether the student progresses or completes a degree. The funding formulas alone encourage institutions to enroll students with little to no focus on ensuring that they are successful after they get there.

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7 Program Website: REACH Scholarship [http://www.reachga.org/about_us.cfm](http://www.reachga.org/about_us.cfm)

Governor Deal appointed the members of the Higher Education Funding Commission in October 2011. Members included USG and TCSG leadership, institution presidents from both systems, students from both systems, legislators, and members of the business community. The complete list of members is attached in Appendix A. The Commission held their first meeting in December 2011 and received their charge to make recommendations to Governor Deal by the end of 2012 on ways to change the higher education funding formulas to incentivize degree completion.

The Higher Education Funding Commission met a total of seven times and spoke with a range of local and national experts on college completion and higher education budgeting. Additional staff-level research was conducted by a working group staffed by senior level employees of the Governor’s Office, the Office of Planning and Budget (OPB), the Technical College System of Georgia, the University System of Georgia, and the Governor’s Office of Student Achievement (GOSA). The following is a complete list of the meetings as well as a brief summary of the discussions:

- **December 13, 2011**: At the first meeting of the Commission, the governor began the meeting by giving the members their charge of examining ways to change the way the state funds higher education to incentivize outcomes rather than enrollments. Stan Jones, president of Complete College America, presented the national outlook on efforts to increase college completion and the basic funding formula framework, and Dennis Jones, President of the National Center for Higher Education Management Systems (NCHEMS), presented an overview of principles of effective outcomes-based higher education funding formulas.

- **February 27, 2012**: At the second Commission meeting, members heard presentations on best practices in outcomes-based higher education funding formulas in other states from Travis Reindl with the National Governors Association. The Commission also heard from Dr. James Applegate with the Lumina Foundation on the importance of bringing additional students into the college-going pipeline, particularly adult students who have completed some college but not earned a degree. John Krueger, Senior Vice President of Policy for the Georgia Chamber, presented a summary of the recommendations from the Georgia Competitiveness Initiative, with a focus on the alignment of the recommendations to Complete College Georgia.

- **May 7, 2012**: The Commission heard a presentation from the staff level working group, which included an overview of the outcomes-based funding framework, state level college attainment data overall and by key sub-groups. The Commission prioritized key target populations to receive additional incentives within the outcomes-based formula.

- **August 6, 2012**: The Commission received additional information on college-going and completion data for first generation college students and the state’s ability to collect that information, more specific information on incentivized populations from other states’ outcomes-based higher education formulas, and an overview of the structure of the outcomes-based formula. The Commission approved using census salary data to set the weights for progressions and outcomes within the new formula.

- **October 22, 2012**: The Commission heard a presentation from the staff-level working group and approved the definitions of components for the outcomes-based formula. Additionally, the Commission weighed the benefits of reporting data and calculating the formula award by sector prioritized weighting based on sector priorities in the formula. The Commission also added a sector-based strategic initiatives outcome to the formula to ensure alignment with workforce development and other state level priorities.

- **November 6, 2012**: The Commission discussed implementation of the outcomes-based formula and the need for careful monitoring of the transition, all formula components, and broad stakeholder engagement across key constituencies responsible for formula implementation and success.
December 12, 2012: At the final meeting of the Commission, Commission members had a chance to share their reflections and feedback on a draft version of the report to the governor.

FORMULA DESIGN

The outcomes-based formula framework approved by the Commission is attached in Appendix B, and the definitions for the formula approved by the Commission are attached in Appendix C. First, sector-based outcomes and progression benchmarks are identified, for which actual institutional level data is collected by sector. The scaled data is then multiplied by a formula weight to produce a weighted outcome. Each outcome is weighted to reflect the priority of the outcome and the mission of the sector of institutions, with a majority of the formula weighted towards degree production or successful transfer. Formula weights for progression increase and a school earns more as a student progresses. At face value the awards will earn the same, but the final value of the awards can change as sector priority rankings are adjusted to focus the different sectors on particular outcomes. For example, while certificates are awarded at both regional universities and technical colleges, they are a much more prevalent and desired outcome at the latter and would be weighted higher.

The weighted outcomes are then monetized by multiplying the weighted outcomes by the average SREB faculty salary data by sector, which is increased to include the cost of employee benefits. Thus, the differences between the salary levels in different sectors acknowledge the differences in the cost of teaching between the sectors. For example, if all other variables were held equal, a research university would earn more when a student accumulated 30 hours than would a regional university. The steps are the same across all sectors; the only difference is the weight factor and priority applied to each point value. Fixed costs such as maintenance and operations are addressed as a separate line item within the formula, utilizing a dollars per square footage calculation.

CONSIDERATIONS

Throughout the Commission’s discussion across multiple meetings, several factors were consistently identified as priority considerations to be used in any higher education funding formula:

- **Focus on Quality:** At the first meeting of the Commission, Governor Deal emphasized the importance of maintaining and increasing educational quality while increasing completion and attainment. The Commission also consistently emphasized the need to ensure that changes to the funding formula would not undermine the quality of institutions and degrees. The state will continue to rigorously monitor the effects of the outcomes-based formula to ensure credentials remain high quality.
- **Respect for Institutional Mission:** The Commission looked to the funding model to promote fulfilling institutional mission while minimizing institutional mission creep by using sector differentiated drivers.
- **Simplicity:** The Commission prioritized a transparent, easy-to-understand formula that incentivized contributions to the attainment of state goals. The list of variables in the outcomes-based formula is short so that the message is clear.
- **Alignment to Economic Development:** The Commission emphasized the need to align degree production with the workforce development needs of the state and to incentivize such a connection within the outcomes-based formula when possible.
FORMULA ELEMENTS

Overall, the Higher Education Funding Commission recommended that the outcomes-based higher education funding formula:

- **Reward student progression**
- **Reward awards conferred and outcomes (GED Diplomas, successful transfer out, certificates, associate’s degrees, bachelor’s degrees, post-baccalaureate degrees) as the majority weight**
- **Incentivize target student populations (Pell Grant Recipients and Adult Learners)**
- **Determine priorities at the sector (Technical Colleges, State & Two Year Colleges, Regional & State Universities, and Research Universities) level**: Allows the TCSG and USG to apply weighting to each outcome to reflect priorities of different sectors. For example, Technical Colleges may value certificates higher, State & Two Year Colleges may value transfers higher, and Regional & State Universities may value Bachelor’s Degrees higher. The determination of priorities by sector would allow them to be periodically reviewed and reset and allow USG and TCSG to ensure state goals are being met, while prioritizing simplicity within the formula.
- **Determine strategic initiatives at the sector (Technical Colleges, State & Two Year Colleges, Regional & State Universities, and Research Universities) level**: Allows the Systems to reserve up to 10% of the formula’s allocation for incentives based on sector and state priorities not collected in the progression and outcome data. For example, TCSG may wish to place an additional incentive on workforce placement, while Research Universities may wish to look at external research funding. By allowing these to be set at the sector level and open to periodic review, the state has flexibility to use the currently available data on workforce and state needs.
- **Use the Southern Regional Education Board’s (SREB) average faculty salary of similar Carnegie classification sectors for the funding multiplier**
- **Account for health insurance costs and fringe benefits by adding an additional percentage to the SREB salary data in the funding multiplier**
- **Address fixed costs such as maintenance and operations as a separate line item in the outcomes-based formula using a $/square footage calculation**

IMPLEMENTATION & MONITORING

Recommendations made by the Higher Education Funding Commission and subsequently adopted by the Governor may be utilized within the existing budgeting process. Though the outcomes-based formula would replace the current two formulas entirely, statutorily, the Chancellor of the University System and the Commissioner of the Technical College System determine allocations to individual institutions. The outcomes-based formula would continue to drive appropriations at the system level, and appropriations to the institutions would continue to be allocated by the Chancellor and Commissioner. The data used in the outcomes-based formula would be based on counts. The outcomes-based formula would first be used to develop a revenue neutral base in FY 2015, and it would move the formula toward granting new funds based on improvement in outcomes in FY 2016 and beyond.
The Commission recommended that the Chancellor and Commissioner, along with OPB and in consultation with the legislature, establish the formal processes for setting the definitions and weights of sector specific strategic initiatives and the sector priority weights to align with the state’s existing budget cycle. The systems, the legislative representatives, and the Governor’s Office would reach common agreement as to the weight and priority amounts. The Commission also recommended that the staff level working group, to include members of the Governor’s Office, OPB, GOSA, TCSG, USG, and legislative budget offices, continue to meet on an ongoing basis through the end of FY 2015 to closely monitor all aspects of the outcomes-based formula.

FUTURE STUDY

The Commission identified two items that merited further study beyond the work of the Commission for consideration in adding to the formula. First, the Commission recommended the state further study adding first-generation college students as an incentivized population. The state does not currently collect consistent information to reliably identify first generation college students, and the Commission recommended that the state begin studying ways to identify this population so that accurate data might be collected to inform the formula. Secondly, the Commission recommended that the state further study methods of funding dual-credit programs through the outcomes-based formula to ensure that students are allowed to move on when ready and to increase the number of high school students who are able to take college level courses and earn dual credits.

CONCLUSION

With the recommendations of the Higher Education Funding Commission, Georgia joins a growing number of states in sending a strong message to institutions, students and taxpayers alike that we will begin to measure our return on investment for the funds spent on public colleges and universities in terms of student access, progress and success. Moving from an enrollment driven formula to an outcomes-based formula is a commitment from the state to invest our resources in the results we want and to accomplish these results with clarity and predictability.
Appendix A

Members of the Higher Education Funding Commission

Representing the University System of Georgia:
Mr. Hank Huckaby, Chancellor, University System of Georgia
Mr. Don Leeburn, Jr., At-Large Member, Board of Regents
Mr. Philip Wilheit, Sr., At-Large Member, Board of Regents
Dr. Bud Peterson, President, Georgia Institute of Technology
Dr. Gary McGaha, President, Atlanta Metro College
Dr. Ron Core, Vice President for Business and Finance, Georgia Southern University
Mr. James Taylor, Student, University of Georgia
Mr. Kevin Vantrees, Student, Abraham Baldwin Agricultural College

Representing the Technical College System of Georgia:
Mr. Ron Jackson, Commissioner, Technical College System of Georgia
Mr. Otis M. Raybon, Jr., 11th Congressional District, State Board of the Technical College System of Georgia
Mr. Michael Sullivan, 7th Congressional District, State Board of the Technical College System of Georgia
Dr. Anthony Parker, President, Albany Technical College
Dr. Ray Perren, President, Wiregrass Technical College
Dr. Mindy McCannon, Vice President of Academic Affairs, Georgia Northwestern Technical College
Mr. David Welden, Vice President of Administration, Gwinnett Technical College
Mr. Alvie Coles, Student, Ogeechee Technical College

Representing the Georgia House of Representatives:
Chairman Terry England, Appropriations Committee
Chairman Carl Rogers, Higher Education Committee *
Chairman Tom Rice, Motor Vehicles Committee

Representing the Georgia Senate:
Chairman Jack Hill, Appropriations Committee
Chairman Buddy Carter, Higher Education Committee *
Chairman Johnny Grant, Public Safety Committee

Representing the Business Community:
Mr. Chris Klaus, CEO, Kaneva

Representing the Governor’s Office of Planning and Budget:
Debbie Dlugolenski Alford, Chief Financial Officer and Director, Office of Planning and Budget

*Denotes Higher Education Funding Commission Co-Chairman
Appendix B
Members of the Staff Level Working Group

Office of Planning and Budget
Margaret Betzel, Policy Coordinator, Educational Development Division
David Lakly, Director, Educational Development Division
Jason Matt, Policy Analyst, Educational Development Division
Kerri Wilson, Policy Analyst, Educational Development Division

Technical College System of Georgia
Kenneth Kincaid, Budget Director
Andy Parsons, Assistant Commissioner, Data, Planning and Research

University System of Georgia
John Brown, Vice Chancellor for Fiscal Affairs
Dr. Susan Campbell Lounsbury, Assistant Vice Chancellor, Research & Policy Analysis
Tracey Cook, Assistant Vice Chancellor for Fiscal Affairs/Budget Director
Dr. Houston Davis, Chief Academic Officer and Executive Vice Chancellor
Dr. Lynne Weisenbach, Vice Chancellor, Educational Access and Success

Governor’s Office of Student Achievement
Bonnie Holliday, Executive Director

Office of the Governor
Kristin Bernhard, Education Policy Advisor
Erin Hames, Deputy Chief of Staff for Policy
Appendix C
Outcomes-Based Formula Spreadsheet

<table>
<thead>
<tr>
<th>Research Universities</th>
<th>X Formula Weight</th>
<th>= X Weighted &amp; Scaled Points</th>
<th>X Sector Priority</th>
<th>= X Total Points</th>
<th>X Multiplier</th>
<th>Funding Per Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students Accumulating 30 Hours</td>
<td>12,500</td>
<td></td>
<td>0.4</td>
<td>3%</td>
<td></td>
<td>$106,626</td>
</tr>
<tr>
<td>Students Accumulating 60 Hours</td>
<td>15,750</td>
<td></td>
<td>0.6</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students Accumulating 90 Hours</td>
<td>37,000</td>
<td></td>
<td>0.8</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Underserved Population Incentive 0.1

<table>
<thead>
<tr>
<th>Combined Degree Data</th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Students that earn a Bachelors Degree</td>
<td>14,500</td>
<td></td>
<td>1.9</td>
<td>40%</td>
<td></td>
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</tr>
<tr>
<td>Students that earn a Masters/Ed Specialist Degree</td>
<td>6,750</td>
<td></td>
<td>2.4</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students that earn a Doctoral/Professional Degree</td>
<td>2,500</td>
<td></td>
<td>3.4</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic initiatives</td>
<td>TBD</td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Outcomes Funding TBD

Plant Operations Funding Rate TBD
+ Utilities Funding Rate TBD
= M&O Funding Rate
x Resident Instruction Square Footage 25,000,000
= Maintenance and Operations Funding
= Outcomes Funding
= Total FY15 State Funds Request
# Appendix D
## Formula Definitions

<table>
<thead>
<tr>
<th>Metric</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Progression/Retention</strong></td>
<td>Number of undergraduate students who reached or passed the 15, 30, 60, or 90 cumulative credit hours at the end of the year (Summer, Fall, Spring). Students passing multiple benchmarks in a year will be counted at the highest benchmark they pass. Metric is calculated by adding students' earned credit hours for the year to their cumulative earned credit hours prior to the year. Completion of a course is indicated by the grades A, B, C, D, Pass, and Satisfactory. Credit accepted through transfer and dual enrollment will be included in cumulative earned hours. Learning Support/Remedial hours are not included in cumulative earned hours.</td>
</tr>
<tr>
<td><strong>Awards Conferred</strong></td>
<td>The combined total of GED Diplomas, Certificates, Associates, Bachelors, Masters, Education Specialist, Doctoral, and Professional degrees conferred during the year (Summer, Fall, Spring). Students earning multiple awards at the same level (Certificate, Associate, Bachelors, Masters, Education Specialist, Professional, Doctoral) will be counted as one outcome. Students earning awards in multiple-levels (Certificate, Associate, Bachelors, Masters, Education Specialist, Professional, Doctoral) during the same year will be counted as multiple outcomes. Double majors do not count as two outcomes. Imbedded certificates do not count as an outcome.</td>
</tr>
<tr>
<td><strong>Sub-Populations</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Pell Grant Recipients</strong></td>
<td>Students that have received Pell at any time in their college career. Check Pell status from first term of postsecondary enrollment through the end of the year being reported (through Spring semester). Counted in Awards Conferred and Transfer metric.</td>
</tr>
<tr>
<td><strong>Adult Learner</strong></td>
<td>Students 25 years or older at the time of the award of a GED Diploma, Certificate, Associates, or Bachelors (as of last day of award term) or at the time of transfer (as of the last day of the term before transfer) the year being reported. Counted in Awards Conferred and Transfer metric.</td>
</tr>
<tr>
<td><strong>Under Consideration</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Initiatives</strong></td>
<td>To be determined at the system level and to include sector specific strategic initiatives such as workforce data, degrees in strategic fields, etc.</td>
</tr>
<tr>
<td><strong>Transfers Out with 12 Hours</strong></td>
<td>The number of students who transferred-out to any public, private, or out-of-state institution who had accumulated at least 12 earned credit hours. Metric is calculated based on student enrollment at College A during year 1 (Summer, Fall, Spring Year 1) and transfer enrollment was found later in year 1 or year 2 (Fall, Spring Year 2). This does not include students who accumulated hours through dual enrollment programs and then enrolled at another institution. The number of credit hours accepted by the institution the student transfers to does not factor into this outcome. The National Student Clearinghouse and/or GA AWARDS should be used to track transfers.</td>
</tr>
<tr>
<td><strong>Remedial Success</strong></td>
<td>The number of students who were enrolled in remedial courses during Summer, Fall, or Spring of Year 1 who then successfully complete college-level courses in the same subject area in a subsequent semester by the end of year 2 (Summer, Fall, Spring Year 2) or complete an award during the 2 years.</td>
</tr>
</tbody>
</table>