



SEA 366 Report

OUTCOMES-BASED
PERFORMANCE FUNDING
2025-2027



INDIANA COMMISSION *for*
HIGHER EDUCATION



INDIANA COMMISSION *for* HIGHER EDUCATION

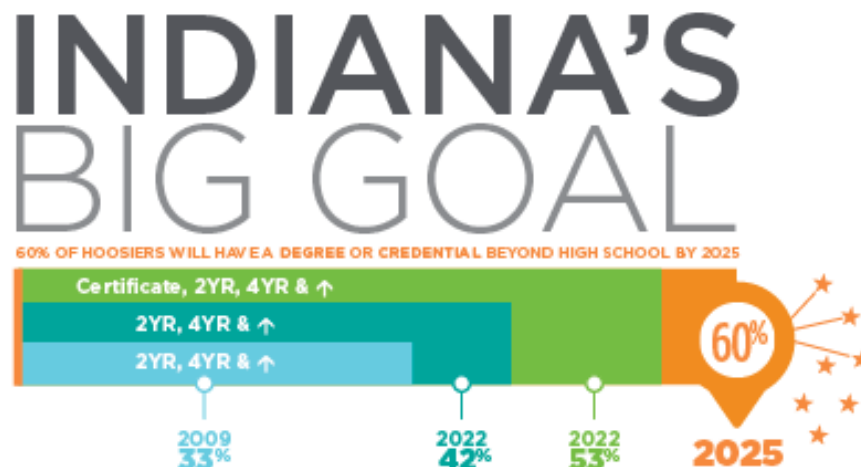
The 2022 Indiana General Assembly passed Senate Enrolled Act 366-2022 (SEA 366), tasking the Indiana Commission for Higher Education (Commission) with creating a report detailing the metrics and methodologies used in its Outcomes-Based Performance Funding formula (OBPF) for Indiana’s public colleges and universities.

On October 26, 2022, the Commission presented the first report to the State Budget Committee, focusing on the methodology and structure of the new, prospective formula. This report for 2024, in response to House Enrolled Act 1001-2023 (HEA 1001), expands upon the SEA 366 report by providing details surrounding the metrics, weighting, and updated methodology of the formula for the 2025-2027 biennium.

During its meeting on September 12, 2024, the Commission voted to approve the metrics, weighting, and methodology of the 2025-2027 OBPF formula. The following report will detail the challenges facing our state and how the formula outlined within is well suited to incentivize and reward our institutions as they provide for our state’s higher education needs.

OVERVIEW

Indiana’s economy needs a skilled talent pipeline, which requires students to pursue and complete degrees or credentials that are affordable, high-quality, and relevant to students’ future careers and the state’s economy. Therefore, the Commission’s HOPE (Hoosier Opportunities & Possibilities through Education) Agenda maintains our state’s commitment to reaching 60 percent postsecondary attainment for Hoosiers, which was originally adopted by the state in 2012. But in recent years, fewer students have been choosing a college path (whether it is a workforce or industry credential, or a two- or four-year degree), and the state’s college-going rate (including certificates, associate and bachelor’s degrees) dropped significantly between 2012 and 2022. Just over half (53 percent) of Indiana’s high school graduating class of 2022 chose to go to college — a drop from 68 percent seven years ago. This drop equates to 4,000 fewer Indiana high school graduates going straight to college every year. The year-over-year enrollment drop impacted Indiana’s public at much higher levels than private institutions. However, there is reason to be optimistic as the decline has now flatlined for two successive years. In fact, reports from both Fall 2023 and 2024 reflect more than 2 percent growth in enrollment each year, the only years of growth in over a decade.



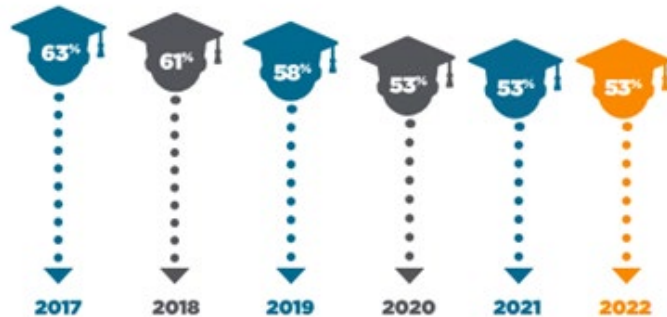


INDIANA COMMISSION *for* HIGHER EDUCATION



HIGH SCHOOLERS GOING STRAIGHT TO COLLEGE

Since 2020, Indiana's college-going rate held steady at 53%.



The college-going rate of Indiana's high school graduates is one of three major elements which must be tackled if Indiana is to make substantive progress toward becoming a top 10 state in postsecondary attainment. The second and third elements are completions at all degree levels and reducing the "brain drain" of recent college graduates through post-graduate retention and a greater emphasis on research and development.





In a recent analysis, Indiana was identified as the 8th best state in the nation for attracting out-of-state students to its institutions. However, Indiana is ranked 40th in the nation for retaining working-age adults who hold a college degree to the state. Improving our state's college-going rate will only drive us toward attainment if

we are able to retain talented professionals upon their graduation. Finally, while Indiana has made progress in addressing the overall attainment of our adult population, nearly all progress has occurred with sub-associate level credentials. In fact, Indiana ranks 39th in attainment for associate degrees and higher. Nearly 1.6 million Hoosier adults are without a meaningful postsecondary credential.

Economic and social mobility and prosperity are clearly and consistently influenced by educational attainment beyond high school, including wages, civic participation, and quality of life. Key economic and workforce data, including labor participation, wages, and net worth rise with education attainment, while unemployment rates decrease. These key economic and workforce measures illustrate the value of education beyond high school, yet Indiana's educational attainment is not close to where it needs to be. Employers are already struggling to find skilled talent. That search will only become more difficult if we do not increase the number of Hoosiers with the skills and training employers need. We must further develop the connection between our labor force and education beyond high school, ensuring employers have access to talented Hoosiers to fill the jobs of today and tomorrow.



 ECONOMIC METRICS <small>by EDUCATION LEVEL</small> 06-21-24				
EDUCATION LEVEL	INDIANA UNEMPLOYMENT RATE (2024)	INDIANA LABOR PARTICIPATION RATE (2024)	WAGES – MEDIAN INCOME (U.S.) (2022) (AGES 25+)	WAGES – AVERAGE NET WORTH (U.S.) (2022)
LESS THAN A HIGH SCHOOL DIPLOMA	9.5%	44.1%	\$37,240	\$175,627
HIGH SCHOOL DIPLOMA	3.2%	56.4%	\$46,640	\$413,275
SOME COLLEGE OR ASSOCIATE DEGREE	3.2%	65.9%	\$53,650	\$540,873
BACHELOR’S DEGREE + UP	1.9%	72.9%	\$83,570	\$1,992,935

 SOCIAL METRICS <small>by EDUCATION LEVEL</small> 07-18-24				
EDUCATION LEVEL	INDIANA EDUCATIONAL ATTAINMENT (2022) (AGES 25+)	PERCENT OF WORKING-AGE ADULTS USING SNAP BENEFITS (U.S.) (2021)	INFANT MORTALITY (PER 1,000 BIRTHS) (U.S.) (2021)	LIFE EXPECTANCY (U.S.) (2005)
LESS THAN A HIGH SCHOOL DIPLOMA	10%	21%	11.7	72 years
HIGH SCHOOL DIPLOMA	32%	15%	7.0	79 years
SOME COLLEGE OR ASSOCIATE DEGREE	29%	11%	6.6	80 years
BACHELOR’S DEGREE + UP	30%	2%	4.1	84 years

HIGHER EDUCATION FUNDING

Indiana’s publicly funded State Educational Institutions (SEI) are primarily funded through two sources: the first as state appropriations and the second as tuition and fees. State appropriations are appropriated biennially and generally fall into one of four categories: operating, debt service, line items, and repair and rehabilitation (R&R).

- **Operating:** appropriation of state funds that support the overall operations of an institution. These state funds both directly and indirectly reduce the cost of enrollment for Hoosier students in the form of reduced tuition as compared with their non-resident peers. Various line-item appropriations allocated to specific institutions also support university operations. In FY2025, operating and line-item funding comprised 72 percent of total state support for higher education. NOTE: *The Outcomes-Based Funding*



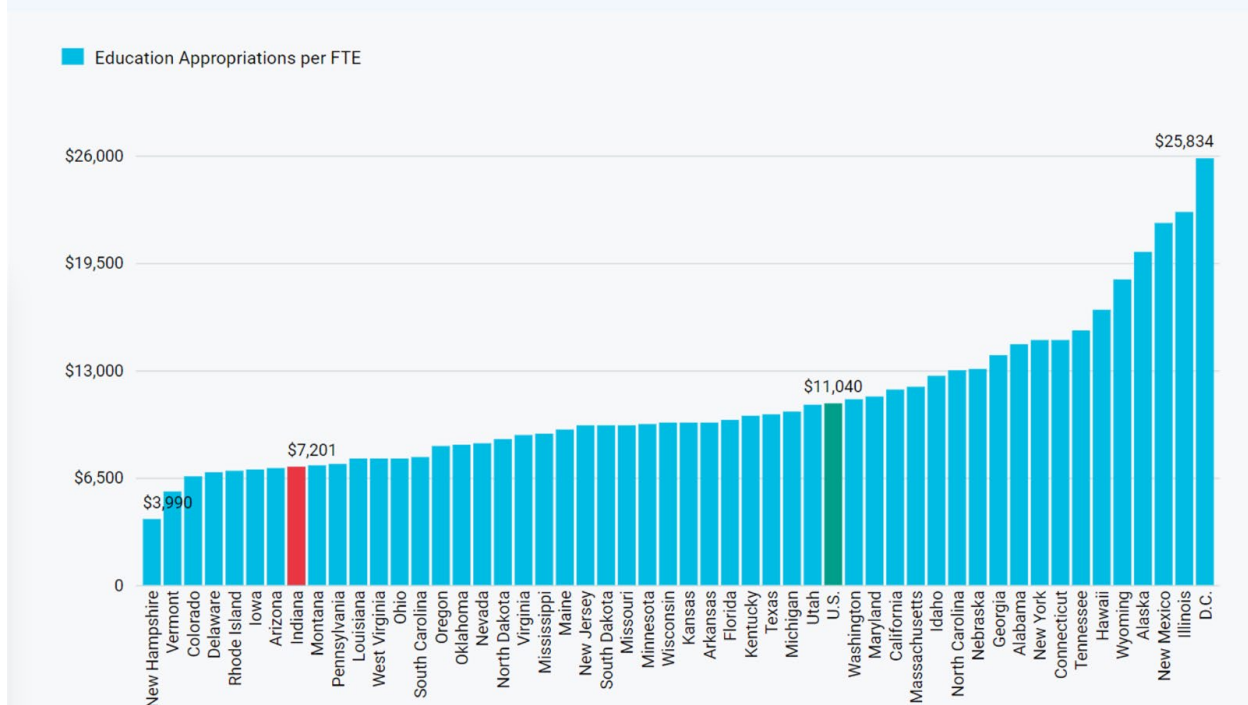
INDIANA COMMISSION *for* HIGHER EDUCATION

Formula impacts colleges' operating appropriations by allocating a portion of new state dollars to institutions based on outcomes that reward improvement in targeted categories.

- **Capital Funding:** appropriations made to SEIs to pay for state-funded buildings and share in their long-term maintenance, including both debt service and repair and rehabilitation funds. The debt service appropriation supports debt payments for each institution based on the current outstanding debt for state funded buildings. A formula is used to determine the financial need at each campus related to ongoing repair and rehabilitation. The state shares the cost of R&R with each institution, which is expected to fund their portion through other university funds or fee revenues. In FY2025, capital funding comprised nearly 9 percent of total state support for higher education.

According to the most recent State Higher Education Finance Report (SHEF), Indiana ranks 43rd among states in its support of postsecondary attainment through SEI operating funding and student financial aid. Low overall state support drives increased education costs to students, leaving Indiana with **the 5th highest share of educational costs paid for by students** at 63 percent. This is well above the national average, 40 percent, experienced by students in many other states. The recent 2023 Budget drove historic new funding to higher education through enhanced financial aid support, increased operating funding, and a modernized outcomes-based performance funding formula. In total, the General Assembly appropriated nearly \$136 million in ongoing state support above the previous biennium. Additionally, the state appropriated an historic \$630 million in cash-funded capital projects. These investments are expected to improve Indiana's overall ranking and reduce the financial burden on students.

State Higher Education Finance (SHEF) Report





RECENT ACTIVITY

Section 193 of the Senate-passed version of House Bill 1001-2021 included language which established a task force assigned with the study of performance-based financial incentives for higher education. This language was ultimately removed; however, the Legislative Council later assigned the topic of “How the higher educational operating funding mechanism should be structured and funded, which goals should be obtained from the funding mechanism, and how the achievement of the goals is measured with reliable data points” to the Interim Study Committee on Fiscal Policy.

The Interim Study Committee established the Higher Educational Operating Funding Working Group (Working Group) to investigate the mechanism for higher education funding. As part of its review, the Working Group held two public meetings where they received testimony from three national organizations in addition to each SEI. The Working Group made seven policy recommendations, many of which were codified in SEA 366. In addition to these statutory changes, the Working Group recommended the Commission to consider the following for the 2023 budget session:

- Mission differentiation, which includes metrics that apply to institutions based solely upon mission differentiation and are categorically differentiated based on research, non-research, and two-year institutions;
- Utilizing most recent data to minimize lags compared to the most recent years of performance;
- Allowing each SEI’s metric results to be measured against the SEI itself (and not other SEIs).

Following the 2021 regular session of the General Assembly, the Commission procured the services of HCM Strategists to review Indiana’s OBPF model. During their review, HCM Strategists compared Indiana against best practices, received institutional feedback, and ultimately provided the following recommendations for consideration:

- Enhance mission differentiation,
- Evaluate the range of data used,
- Reflect differences in institutional outcomes across the continuum,
- Understand role of certificates in funding trends, and
- Monitor implications of COVID-19.

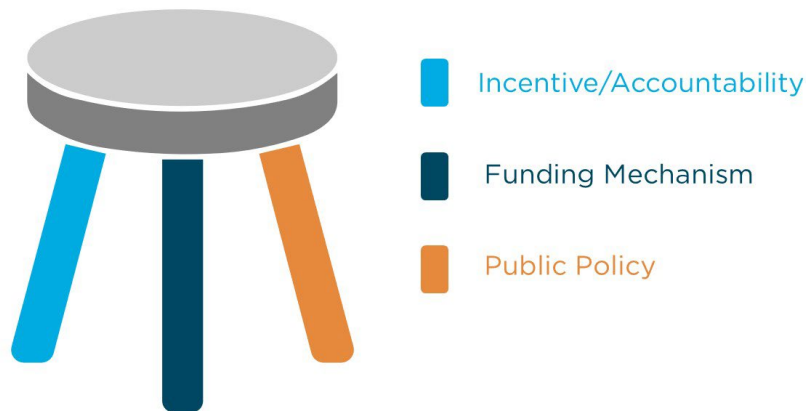
The Commission took each of these recommendations into consideration when it began re-evaluating how SEIs might be incentivized through a new OBPF model for the 2023 budget session and beyond.



FUNDING FORMULA PURPOSE

IC 21-18-16-2 requires the Commission to create a funding formula that “aligns with the goals outlined in the Commission’s long-range plan for postsecondary education...” The funding model described in the following pages aligns with the Commission’s HOPE Agenda by creating an incentive and accountability tool, financially supporting SEIs, and driving public policy. These three components represent the three-legged stool with which the Commission influences our institutional partners to partner with the state in moving the state toward economic and social prosperity through the power of education.

OBPF Purpose:



Incentive/Accountability:

As the most obvious of the three purposes of the funding formula, financial incentives pressure institutions to partner with the State in addressing challenges, such as poor retention of our college graduates. Sometimes, these incentives closely align with institution efforts, such as growing enrollment and completion in the high-demand field of STEM programs. However, it is often necessary to create incentives for institutions to take actions and make investments that are otherwise disincentivized, such as enrolling low-income students who are more challenging and costly to support through graduation. The complementary intent of incentive is accountability. Should an institution fail to improve in a priority area, their shortcoming is publicly documented for transparency and new state monies are withheld. Balancing incentives against accountability is paramount to a successful model.

Should the model be so challenging that it simply becomes an accountability tool and fails to properly incentivize desired behaviors, the institutions may altogether ignore the incentive and begrudge the perceived punitive nature of the tool.

Funding Mechanism:

For more than a decade, the General Assembly relied upon the Commission’s funding formula to drive new state support for the operating appropriations of public institutions. This history has driven the understanding that the General Assembly prefers to invest in the SEIs through performance. The 2023 Budget altered this trend with an historic base adjustment to support institutions through historic inflation caused by the pandemic and



INDIANA COMMISSION *for* HIGHER EDUCATION

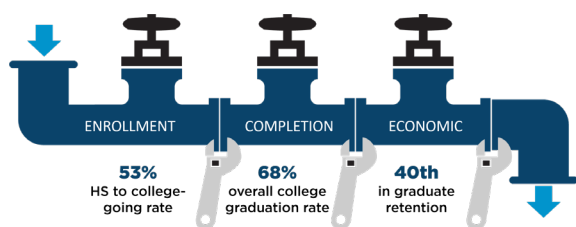
subsequent federal spending. The funding formula must be designed in such a way as to drive new state support to institutions to offset the cost paid by Hoosier students and families.

Should the model be so unobtainable that it fails to drive state support to our public institutions and the monies largely revert to the State, students would bear a disproportionate share of the financial burden through tuition and fees. Additionally, the General Assembly would likely challenge the effectiveness of a model which failed to utilize the majority of state funds appropriated for the purpose of performance.

Public Policy:

Likely the least obvious, but potentially the most important purpose for the funding formula, is the clear establishment of state priorities through the bully pulpit. Each institution relies upon state support to varying degrees. Some institutions, such as Ivy Tech and Vincennes, receive nearly two-thirds of their operating revenues from state appropriations. Alternatively, the research institutions receive less than a quarter of their operating revenues from the state. Because of this, the incentive and funding power of the funding formula varies by campus. However, the receptivity to the Commission's vision, mission, and strategy for higher education is largely independent of funding. For example, when the Commission first began discussing the need for higher education to play a more direct role in addressing Indiana's "brain drain," many institutions were hesitant at best. Today, through the power of the bully pulpit and human relationships, each of the state's seven public institutions is engaged in strategic efforts to improve graduate retention.

THE FUNDING MODEL



The funding model focuses on incentivizing specific goal attainment through the biennial allocation of new state resources which the institutions may earn during the biennium. Goals are broken down into three categories: enrollment, completion, and economic. Each institution is eligible to earn new funding through the model, except for entities historically excluded from outcomes-based funding:

Indiana University's School of Medicine and Dentistry and Purdue University's College of Veterinary Medicine.

Enrollment:

As previously mentioned, the state has suffered a decline in its college-going rate of 15 points between 2012 and 2022. While certainly exacerbated by the pandemic, this trend had been building for nearly a decade. Additionally, while this has been a national trend, Indiana's decline was outpacing much of the nation, according to [Fortune and the Associated Press](#).

Declines in the college-going rate are not evenly impacting Hoosiers of differing backgrounds. Low-income Hoosiers have experienced larger declines than their more affluent peers. To counter this, each institution is incentivized to improve the proportion of their low-income undergraduate students. Incentivizing low-income youth enrollment acts as a leading indicator to another long-time metric: low-income completion, which has suffered considerable declines in recent years. Focusing efforts on low-income enrollment helps to address



INDIANA COMMISSION *for* HIGHER EDUCATION

overall equity in attainment while also having the most dramatic effect on the overall college-going rate. Additionally, these measures recognize the additional costs associated with providing resources and services necessary to support the successful completion of many low-income students.

Metric: Low-Income Youth Enrollment

- Percent of Pell-recipient students out of all students who are under 25 years old, undergraduate, degree-seeking, Indiana resident students.

Alongside recent declines in the college-going rate of high school seniors, Indiana has also experienced a decline in the going rate of adults. During the same period where we experienced a 12-percentage point decline in the going rate of youth, Indiana experienced a 13-percentage point decline in the going rate for adults. These figures are inseparably linked and highlight the need to focus on both populations to grow the overall attainment of our population. Adults represent a significant portion of total undergraduate enrollment, totaling over 49,000 in 2023. Adults in Indiana are uniquely at risk of losing their livelihood due to automation contributed, in part, to our low educational attainment and high density of manufacturing.

Metric: Adult Enrollment

- Count of adults (25 and older), undergraduate, degree-seeking, Indiana resident students.

Completion:

Degree completions have been a cornerstone to Indiana's funding formula for nearly two decades. Due to the state's consistent focus on completion, **Indiana now ranks 11th in the nation for extended-time completion** of first-time, full-time students pursuing an associate or bachelor's degrees. A common refrain in higher education is, "Access without completion is a false promise." This "false promise" is even more potent when a student relies upon loans to support their educational pursuit.

Research shows students who maintain a trajectory to complete their credential on time are the most likely to complete at all. This is partly due to the significant financial burden each additional semester of education places on a student. Many forms of financial aid, including the state's generous 21st Century Scholars program and Frank O'Bannon Grant, provide scholarships for a maximum of four years of education. While Indiana has seen tremendous success in improving on-time completion over the last decade, significant progress must still be made. From 2012 to 2024, on-time completion rates improved by 20-percentage points and extended-time completion improved by over 15-percentage points.

Metric: On-Time Completion

- Percent of students who graduate on-time for an associate or bachelor's degree at the same institution and degree level they originally enrolled as a first-time, full-time student.

The Commission has long held a goal of 60 percent of Hoosiers holding a postsecondary credential by 2025. We are realistic in knowing we will not meet this goal by that set date. The most recent reporting from the Lumina Foundation shows that while Indiana has made progress, moving from 48 percent in 2019 to 53 percent in 2022, much of this progress has occurred at the sub-associate level. Our associate and higher attainment ranks 39th in the nation. As our economy continues to predominately see growth in careers that require education after high school, overall credential completion must continue to be a focus of the OBPF.



Metric: Overall Completion

- Count of distinct, Indiana resident student completions by highest degree level within a six-digit Classification of Instructional Program (CIP) code and fiscal year.

As was previously mentioned with the low-income youth enrollment metric, Indiana lost significant ground in both the college-going rate of low-income Hoosiers before 2022, and in the overall completion of our most vulnerable citizens. Following the passage of HEA 1449-2023 (automatic enrollment of 21st Century Scholars) and SEA 167-2023 (high school FAFSA requirement), the General Assembly strengthened its commitment to providing access to affordable educational opportunities after high school. The Commission reinforces this commitment by further incentivizing institutions to support these students from enrollment through completion.

Metric: Low-Income Completion

- Count of distinct, resident completions receiving Pell at the time of the completion, by highest degree level within a six-digit CIP code and fiscal year.

The Commission has recognized for more than a decade the importance of incentivizing degree completion in those most in-demand skills. Formerly named “high-impact,” STEM completions are aimed at filling the need of our business community while also providing a greater number of Hoosiers with high-demand, high-wage jobs following their credential completion. This metric aligns with several key recommendations from the Governor’s Workforce Cabinet and strongly align with the Indiana Economic Development Corporation’s “Indiana for the Bold” strategy, where higher education plays a pivotal role in attracting future industries such as microchip manufacturers.

Metric: STEM Completion

- Count of distinct, resident completions by highest degree level within a six-digit CIP code and fiscal year for Commission-defined STEM programs.

For many Hoosiers, the increased efforts to attract secondary students to postsecondary training and education has come too late. For these Hoosiers, the challenges to enroll and complete go beyond the commonly cited financial barriers. Many adults must balance a full-time job, childcare, family life, and other responsibilities. These added challenges require additional resources from the institutions to tackle. For this reason, institutions are incentivized to graduate a greater number of adult students. Additionally, Indiana cannot reach its attainment goals without the upskilling of its current adult population.

Metric: Adult Completion

- Count of distinct, resident completions by highest degree level within a six-digit CIP code and fiscal year age 25 and older at the time of completion.



Graduate Retention and Research:

Indiana's previous funding formula for higher education largely omitted consideration for what occurred after a student left the institution. While this focused the state's financial resources into bolstering and improving outcomes for students, it largely provided institutions with little incentive to connect their students with communities and businesses around the state. These connections profoundly increase the likelihood students choose to stay in Indiana upon graduation. Graduate retention rewards institutions for improving the proportion of their recent graduates who stay in Indiana following graduation, through both employment and enrollment. Unlike other metrics, this metric incorporates non-resident students. This metric aligns well with the Indiana Economic Development Corporation and Indiana Destination Development Corporation's focus on talent recruitment and retention as well as the significant investment made by the General Assembly into both efforts.

Metric: Graduate Retention

- Percent of both resident and non-resident graduates who enroll in an Indiana institution or work for an Indiana employer one year following graduation.

Indiana is home to two public world-class R1 research institutions in Indiana University and Purdue University. The research that takes place in our state drives advancements in many technologies including agriculture, bioscience, healthcare, technology, and engineering. The United States has fallen behind other nations, including China, in key areas of research which not only impacts our nation's economic growth, but can contribute to a national security risk. Research funding spurs substantial economic development while providing unique educational opportunities for students to earn real-world lab experience that is directly applicable to their future careers. The economic impact of research funding can clearly be seen by the growth in university-aligned research parks and startups. The recent separation of IUPUI into IU Indianapolis and Purdue in Indianapolis is largely driven by a vision for greater research and economic development occurring in Indiana's capital city and surrounding region. The research metric provides state-level recognition of the value placed on research and its related outcomes.

Metric: Research

- National Science Foundation HERD survey

Metric Weighting:

A formula containing multiple metrics for several institutions necessitates the application of weighting to each metric. This weighting determines what portion of the total available funding to a given institution can be earned by reaching the goal in any given metric. The legacy formula was forced to balance weighting not only between distinct metrics, but also between each SEI. The current OBPF formula does not require this give and take because **institutions are only compared to themselves and not to one another**. For this reason, weights for any given metric vary by institution. The following weighting involved significant feedback from the SEI and Commission members as it went through multiple revisions following the enacted 2023-2025 weighting.



INDIANA COMMISSION *for* HIGHER EDUCATION

	IUB	PWL	BSU	ISU	USI, IUI	Regionals	VU
Enrollment	25%	10%	35%	25%	30%	30%	30%
Low-Income Youth	25%	10%	25%	15%	20%	10%	20%
Adult	0%	0%	10%	10%	10%	20%	10%
Completion	45%	60%	50%	60%	55%	55%	55%
On-Time	25%	25%	25%	25%	25%	25%	15%
Overall	5%	5%	5%	10%	10%	5%	10%
Low-Income	10%	10%	10%	15%	10%	15%	10%
STEM	5%	20%	5%	5%	5%	5%	10%
Adult	0%	0%	5%	5%	5%	5%	10%
Graduate Retention	20%	20%	15%	15%	15%	15%	15%
Research	10%	10%	0%	0%	0%	0%	0%

The creation and further delineation in weighting has allowed the Commission to lean into each institution’s unique attributes, strengths, and growth potential through the lens of mission differentiation and needs of the state. For example, the role of an R1 research institution is not necessarily well aligned to support adult students, so neither R1 research institution has an adult-based measurement. However, these SEI are uniquely responsible for drawing out-of-state talent to our state, which gives them a unique opportunity to connect those students with opportunities in Indiana during their time on campus.

Goal Setting:

Fundamental to this model is the need to establish future goals which incentivize performance and outcomes. Establishing future goals allows the Commission to honor considerations recommended by both the 2021 Interim Working Group and HCM Strategists by **using more recent data**, thus reducing the lag that policy change has on outcomes. Goals are compared to the base year (AY2022-2023), and funds are awarded as progress is made toward those goals. Goals are set using three years (AY2020-2021 – 2022-2023) of historic output to develop a trend using a compound annual growth rate. This trend is then adjusted to reflect statewide macro-trends, and then applied to the base year. This means that a goal may decline from the base year, but the adjustment ensures the goal is an improvement over the trend. This ensures the goals are both attainable and challenging.

New in the 2025-2027 biennia, the Commission has instituted a second tool to ensure goals are sufficiently challenging to ensure the state advances towards its postsecondary attainment goals. This second tool applies to the metrics least impacted by historic declines in enrollment: low-income youth enrollment, adult enrollment, on-time completion, and graduate retention. These four metrics may not have a goal that is below the base year, even if the before mentioned formula produces a negative result. Rate based metrics such as on-time completion and graduate retention rely upon how well each SEI does with the students they have, regardless of the numbers. Additionally, both low-income youth and adult enrollment are leading indicators that institutions can impact immediately. Alternatively, completion metrics take upwards of six years to recognize, thus



minimizing the ability of an institution to dramatically alter their performance course in a limited two-year timeframe.

Metric Outcomes Funding:

The Commission annually measures each institution's performance against their goals and reports the results between March and April. The results impact funding provided in the following fiscal year, beginning July 1. Therefore, academic year 2023-2024 data will inform each institution's FY26 appropriation and academic year 2024-2025 data will inform each institution's FY27 appropriation. This two-year delay between the reporting year and the distribution year ensures each institution knows their full state appropriation 3-4 months before the start of each fiscal year, allowing them to plan for the funds while budgeting. However, this model provides two unique snapshots of performance outcomes within a single biennium. For this reason, outcomes are likely to shift between the two years. To address this movement, the Commission determined that no institution's second-year funding would decline below what was earned in the first year. This ensures institutions are aware of the first year of funding, and a minimum for the second year when they are setting tuition and mandatory fees each May, giving greater certainty of costs for students. Funds earned are added to each institution's base appropriation in the following biennium.

Funding may be partially or fully earned for each individual metric. Partial funding can be earned based upon progress toward a goal, from the base. Funding is awarded in a linear fashion for metrics showing a history of growth if the result is between the base and goal. Falling below the base results in zero percent funding earned. Meeting or exceeding the goal results in 100 percent funding earned. For declining metrics, 100 percent funding will be earned if the result exceeds the base or falls between the base and the goal. Partial funding will be awarded in a linear fashion for metrics showing a decline if the result is between the goal and the unadjusted trend. However, falling below the trend in a declining metric will result in zero percent funding earned.

Examples:

Growth Trend Metric

- Base = 100
- Goal = 110
 - Actual = 115. Funding = 100%
 - Actual = 105. Funding = 50%
 - Actual = 99. Funding = 0%

Declining Trend Metric

- Base = 100
- Goal = 95
- Trend = 93
 - Actual = 97. Funding = 100%
 - Actual = 105. Funding = 100%
 - Actual = 94. Funding = 50%
 - Actual = 92. Funding = 0%



INDIANA COMMISSION *for* HIGHER EDUCATION

Bonus Allocation:

New in the 2025-2027 biennium is the inclusion of a second, or bonus, award. The bonus award was developed to recognize the significant accomplishment of institutions that exceed the Commission’s goal for one or more metrics each year. The bonus accomplishes the goal of further incentivizing performance beyond the Commission’s goal as well as recognizing the challenges exceptional performance create for an SEI in future years due to the performance improvement nature of the funding model. The bonus awards a portion of funds unearned in the initial award to those metrics where the goal was exceeded. The weighting remains constant in the bonus, which ensures no institution may fully earn their appropriation through the bonus. Additionally, an institution may not manipulate the model by focusing their efforts on a single goal, ignoring the rest, with the intent to earn all their funding through a single metric. The bonus may award no more than the initial funding for a given metric, meaning an institution cannot earn 200 percent of a metric’s allocation.

Below is an example of the bonus award. In this example, an institution exceeded two goals, and partially met another, earning \$250 of their maximum \$400. The remaining \$150 was then made available through a bonus, using the same weighting (25 percent each), and distributed for those two metrics where the goal was exceeded. This brings the total award from \$250 to \$325.

	Base	Goal	Actual	Weighting	\$ Available	Initial Allocation	Bonus	Total
Metric 1	100	110	99	25%	\$ 100	\$ -	\$ -	\$ -
Metric 2	100	110	112	25%	\$ 100	\$ 100	\$ 38	\$ 138
Metric 3	100	110	105	25%	\$ 100	\$ 50	\$ -	\$ 50
Metric 4	100	110	115	25%	\$ 100	\$ 100	\$ 38	\$ 138
					\$ 400	\$ 250	\$ 75	\$ 325

IVY TECH COMMUNITY COLLEGE

House Enrolled Act 1001-2023 amended I.C. 21-18-16-2 to require the Commission to develop a separate OBPF formula for Ivy Tech Community College (Ivy Tech) that both aligns with the Commission’s strategic plan and focuses on employer needs, positive wage growth, and stackable credentials. As previously discussed, the Commission’s HOPE Agenda prioritizes enrollment, completion, and graduate retention, all of which are pointed toward the goal of being a top 10 state for growing or starting a business based upon the strength of human capital.

As leading indicators for completion, enrollment goals allow for improvement upon the state’s declining college-going rate while also growing the pipeline inflow to meet employer demand for credentialed professionals. Ivy Tech uniquely serves the state in its capacity as a transfer-rich institution, both for incoming and outgoing students. Their role in increasing enrollment of low-income youth and adults supports both their own strategic plan to provide 50,000 credentials per year as well as supports the other SEI.

Metric: Low-Income Youth Enrollment

- Percent of Pell-recipient students out of all students who are under 25 years old, undergraduate, degree-seeking, Indiana resident students.



Metric: Adult Enrollment

- Count of adults (25 and older), undergraduate, degree-seeking, Indiana resident students.

Indiana Code 21-41-5-3 outlines the primary purpose of Ivy Tech and establishes an organizational structure necessary to “support workforce training programs, including programs designed for the direct entry of individuals into the workforce; and programs to enhance the skills of workers.” With these priorities in mind, the Commission is now collecting, tracking, and rewarding growth in non-credit bearing industry certifications awarded. These credentials are short-term and offered in partnership between the college and various employers, labor organizations, and third-party providers.

Metric: Industry Certification Completion

In addition to industry certifications, the Commission continues to measure completion outcomes for Ivy Tech at all offered degree levels: sub-30 credit hour certificates (CT), 30 credit hour certificates (TC), and associate degrees. As has been the practice for many years, a student may only be counted once in a single fiscal year for any individual CIP code, ensuring the count represents the most valuable credential for any given area of study occurring within the period.

Metric: <30 credit hour Certificate Completion (CT)

- Count of distinct, resident student completions by highest degree level within a six-digit Classification of Instructional Program (CIP) code and fiscal year.

Metric: >30 credit hour Certificate Completion (TC)

- Count of distinct, resident student completions by highest degree level within a six-digit Classification of Instructional Program (CIP) code and fiscal year.

Metric: Associate degree Completion

- Count of distinct, resident student completions by highest degree level within a six-digit Classification of Instructional Program (CIP) code and fiscal year.

Metric Weighting:

Because of its unique metrics, Ivy Tech’s weighting is unique, including no measurement of graduate retention. The following weighting involved significant feedback from Ivy Tech and Commission members as it went through multiple revisions following the enacted 2023-2025 weighting. The overall share of funding allocated between enrollment and completion remains unchanged; however, a reduced weighting has been placed on industry certifications and greater weighting has been placed on credit-bearing credentials. This weighting recognizes the increased economic value greater levels of educational attainment provides Hoosiers.



INDIANA COMMISSION *for* HIGHER EDUCATION

Enrollment	15%
Low-Income Youth Enrollment	5%
Adult	10%
Completion	85%
Industry Certifications	10%
Awards of Less Than 30 Credit Hours	25%
Awards of at Least 30 but Less Than 60 Credit Hours	25%
Associates	25%

The Commission is committed to further develop metrics that measure the stackability of credentials and the wage outcomes for specific degree programs, including non-credit bearing industry certifications. House Enrolled Act 1001-2024 requires the SEI to report considerable cost data to the Commission in addition to the collection and reporting of wage outcomes by program. These results will be used to inform development of the 2027-2029 metrics to ensure only those programs that lead to positive wage outcomes for Hoosiers, or are likely to lead to additional attainment, are incentivized through the OBPF formula.

CLOSING

The Commission remains committed to the principals outlined in the 2021 Interim Study Committee's recommendations for the funding formula relating to the use of relevant data, commitment to mission differentiation, and comparing institutions against itself. The Commission commits to continually improving upon the formula through an intentional, iterative process, to ensure the formula remains both relevant and purpose-driven while also providing stability for postsecondary institutions. The Commission has put specific emphasis on tracking leading indicators of these strategic initiatives and others that offer promising signs of improvement and impact. Enrollment rates have increased two years in a row and Indiana is ranked 11th in the nation in extended-time completion rates. Indiana is also the only state to include graduate retention in its funding formula. Finally, the Commission is continuing to push our state's public institutions to dream bigger, attempt boldly, and work harder for our state to ensure they fulfill their promise as drivers of economic prosperity in our great state.



INDIANA COMMISSION *for*
HIGHER EDUCATION

Appendix

2025-2027 Outcomes-Based Performance Funding Goals

SEI	Metric	Base Year	Goal Year	% Change	Weighting
Ball State	Low-Income Youth Enrollment	36.4%	37.0%	1.7%	25%
	Adult Enrollment	786	786	0.0%	10%
	On-Time Completion	46.1%	46.1%	0.0%	25%
	Overall Completion	3,570	3,520	-1.4%	5%
	Low-Income Completion	855	855	0.0%	10%
	Adult Completion	251	233	-7.2%	5%
	STEM Completion	531	504	-5.1%	5%
	Graduate Retention	53.0%	53.0%	0.0%	15%
Indiana State	Low-Income Youth Enrollment	42.7%	42.7%	0.0%	15%
	Adult Enrollment	894	894	0.0%	10%
	On-Time Completion	32.7%	34.8%	6.4%	25%
	Overall Completion	1,485	1,401	-5.6%	10%
	Low-Income Completion	384	354	-7.9%	15%
	Adult Completion	254	244	-4.1%	5%
	STEM Completion	164	155	-5.7%	5%
	Graduate Retention	56.1%	56.1%	0.0%	15%
IU Bloomington	Low-Income Youth Enrollment	24.8%	24.8%	0.0%	25%
	On-Time Completion	67.4%	67.4%	0.0%	25%
	Overall Completion	5,362	5,303	-1.1%	5%
	Low-Income Completion	954	908	-4.8%	10%
	STEM Completion	1,758	1,752	-0.3%	5%
	Research (000's)	751,309	767,123	2.1%	10%
	Graduate Retention	32.8%	33.3%	1.6%	20%
IU East	Low-Income Youth Enrollment	41.5%	41.5%	0.0%	10%
	Adult Enrollment	815	815	0.0%	20%
	On-Time Completion	31.0%	31.0%	0.0%	25%
	Overall Completion	461	421	-8.6%	5%
	Low-Income Completion	168	156	-7.4%	15%
	Adult Completion	193	166	-13.8%	5%
	STEM Completion	128	106	-17.3%	5%
	Graduate Retention	57.5%	57.7%	0.3%	15%
IU Indianapolis	Low-Income Youth Enrollment	38.5%	39.3%	2.2%	20%
	Adult Enrollment	2,825	2,825	0.0%	10%
	On-Time Completion	36.8%	36.8%	0.0%	25%
	Overall Completion	5,141	5,036	-2.1%	10%
	Low-Income Completion	1,229	1,201	-2.2%	10%
	Adult Completion	986	947	-4.0%	5%
	STEM Completion	2,027	2,016	-0.5%	5%
	Graduate Retention	68.9%	69.6%	0.9%	15%

2025-2027 Outcomes-Based Performance Funding Goals

SEI	Metric	Base Year	Goal Year	% Change	Weighting
IU Kokomo	Low-Income Youth Enrollment	35.4%	35.4%	0.0%	10%
	Adult Enrollment	535	535	0.0%	20%
	On-Time Completion	32.2%	32.7%	1.5%	25%
	Overall Completion	588	572	-2.7%	5%
	Low-Income Completion	170	160	-5.9%	15%
	Adult Completion	125	110	-11.8%	5%
	STEM Completion	277	265	-4.2%	5%
	Graduate Retention	77.8%	77.8%	0.0%	15%
IU Northwest	Low-Income Youth Enrollment	43.1%	43.9%	1.9%	10%
	Adult Enrollment	743	743	0.0%	20%
	On-Time Completion	20.5%	20.5%	0.0%	25%
	Overall Completion	612	603	-1.4%	5%
	Low-Income Completion	195	191	-2.0%	15%
	Adult Completion	182	170	-6.6%	5%
	STEM Completion	120	120	0.0%	5%
	Graduate Retention	69.0%	70.3%	1.9%	15%
IU South Bend	Low-Income Youth Enrollment	42.3%	42.9%	1.3%	10%
	Adult Enrollment	803	803	0.0%	20%
	On-Time Completion	19.3%	19.3%	0.0%	25%
	Overall Completion	744	700	-5.9%	5%
	Low-Income Completion	218	201	-7.7%	15%
	Adult Completion	213	201	-5.6%	5%
	STEM Completion	287	290	1.1%	5%
	Graduate Retention	75.8%	76.3%	0.6%	15%
IU Southeast	Low-Income Youth Enrollment	34.3%	35.0%	2.1%	10%
	Adult Enrollment	513	513	0.0%	20%
	On-Time Completion	27.9%	27.9%	0.0%	25%
	Overall Completion	634	639	0.7%	5%
	Low-Income Completion	184	189	2.8%	15%
	Adult Completion	156	155	-0.7%	5%
	STEM Completion	265	330	24.7%	5%
	Graduate Retention	45.9%	47.1%	2.6%	15%
PU Fort Wayne	Low-Income Youth Enrollment	35.8%	36.1%	0.8%	10%
	Adult Enrollment	877	877	0.0%	20%
	On-Time Completion	26.2%	28.8%	10.0%	25%
	Overall Completion	1,108	1,093	-1.4%	5%
	Low-Income Completion	330	322	-2.4%	15%
	Adult Completion	225	202	-10.2%	5%
	STEM Completion	283	297	4.9%	5%
	Graduate Retention	73.8%	73.9%	0.1%	15%

2025-2027 Outcomes-Based Performance Funding Goals

SEI	Metric	Base Year	Goal Year	% Change	Weighting
PU Northwest	Low-Income Youth Enrollment	37.5%	38.2%	1.8%	10%
	Adult Enrollment	990	990	0.0%	20%
	On-Time Completion	25.2%	25.2%	0.0%	25%
	Overall Completion	1,038	957	-7.8%	5%
	Low-Income Completion	303	273	-9.9%	15%
	Adult Completion	286	248	-13.2%	5%
	STEM Completion	273	246	-10.0%	5%
	Graduate Retention	46.5%	46.5%	0.0%	15%
PU West Lafayette	Low-Income Youth Enrollment	20.4%	20.4%	0.0%	10%
	On-Time Completion	67.0%	67.5%	0.9%	25%
	Overall Completion	5,443	5,477	0.6%	5%
	Low-Income Completion	908	880	-3.1%	10%
	STEM Completion	2,679	2,700	0.8%	20%
	Research (000's)	754,627	781,768	3.6%	10%
	Graduate Retention	34.6%	35.0%	1.2%	20%
USI	Low-Income Youth Enrollment	29.9%	29.9%	0.0%	20%
	Adult Enrollment	584	584	0.0%	10%
	On-Time Completion	38.3%	38.8%	1.3%	25%
	Overall Completion	1,537	1,463	-4.8%	10%
	Low-Income Completion	272	244	-10.3%	10%
	Adult Completion	170	142	-16.7%	5%
	STEM Completion	138	119	-13.5%	5%
	Graduate Retention	64.9%	64.9%	0.0%	15%
Vincennes University	Low-Income Youth Enrollment	39.8%	39.8%	0.0%	20%
	Adult Enrollment	882	882	0.0%	10%
	On-Time Completion	31.18%	36.14%	15.9%	15%
	Overall Completion	2,384	2,462	3.3%	10%
	Low-Income Completion	1,054	1,087	3.1%	10%
	Adult Completion	386	380	-1.5%	10%
	STEM Completion	314	321	2.1%	10%
	Graduate Retention	70.3%	70.7%	0.6%	15%
Ivy Tech Community College	Low-Income Youth Enrollment	38.3%	38.3%	0.0%	5%
	Adult Enrollment	30,843	30,843	0.0%	10%
	Overall Completion - Industry Certifications	9,171	9,844	7.3%	10%
	Overall Completion - <30 credit Certificates	7,576	8,077	6.6%	25%
	Overall Completion - >30 credit Certificates	9,166	9,111	-0.6%	25%
	Overall Completion - Associate	7,980	7,847	-1.7%	25%