

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: October 6, 2020

Re: UWS Report to JFC

Attached is a report on outcomes based funding, fiscal year 2018-19 and 2019-20 from the University of Wisconsin Systems, pursuant to s. 36.112, Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



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OCT 06 2020

*St. Finance*

October 2, 2020

To: The Honorable Tony Evers, Governor  
Jeff Renk, Chief Clerk, Wisconsin State Senate  
Patrick E. Fuller, Chief Clerk, Wisconsin State Assembly

Fr: Tommy Thompson, Interim President, University of Wisconsin System 

Re: Outcomes Based Funding, Fiscal Years 2018-19 and 2019-20

In accordance with Wisconsin State Statutes, Chapter 36.112, accompanying this letter is the UW System Outcomes Based Funding Report.

In October 2018, the OBF formula was used to allocate \$26.25 million for fiscal year 2018-19 (FY19) as appropriated in the 2017-19 biennial budget. In October 2019, the OBF formula was used to allocate \$22.5 million for fiscal year 2019-20 (FY20), the first half of \$45 million appropriated in the 2019-21 biennial budget. These allocations were presented to the UW System Board of Regents in the respective years.

The outcomes-based funding formula consists of 16 measures, four each within goals for Access, Success, Workforce, and Efficiency. Within each goal, institutions weight individual measures to reflect institutional mission. Performance on the OBF measures is calculated by comparing two overlapping three-year periods to ensure that allocation is driven by sustained improvements over time, rather than one-time swings.

In the FY19 and FY20 allocations, the UW System improved on degree-related OBF measures, including undergraduate degrees, post-baccalaureate degrees, STEM and health-related degrees, and degrees per full-time-equivalent enrollment. The UW System declined on most of the enrollment-related OBF measures, with the exception of underrepresented minority undergraduates. UW System performance improved on remaining OBF measures in the areas of Workforce and Efficiency.

c: UW Board of Regents  
UW Chancellors  
UW System President's Cabinet

# Report on UW System Outcomes-Based Funding, FY19 and FY20

## Background

The 2017-19 State of Wisconsin Budget created Wi. Stats. 36.112, directing the UW System Board of Regents to establish an outcomes-based funding (OBF) formula for the purpose of allocating \$26.25 million in fiscal year 2018-19 (FY19). In the 2019-21 budget, \$45 million was allocated through OBF for the biennium, \$22.5 million in each of the two years. This document describes the performance on OBF measures and the resulting allocations for FY19 and FY20.

The measures in the OBF formula were developed for main campus activity and apply to main campus activity only. Funding from former UW Colleges and UW-Extension was allocated to receiving institutions through a separate process, as described at the August 2019 UW Board of Regents meeting. For simplicity, "institution" refers to main campus in this document.

## OBF Measures and Methodology

The OBF formula was developed in 2017 by a UW System working group. The working group met with the offices of Rep. Mark Born, Rep. John Nygren, Sen. Alberta Darling, and Sen. Sheila Harsdorf during the development of the model. The group also consulted with national experts on outcomes-based funding from HCM Strategists to develop a model consistent with national best practices. The UW Board of Regents approved the formula at its December 7, 2017, meeting. It was transmitted to the Joint Finance Committee (JFC) on February 15, 2018, and subsequently presented in a meeting with JFC in late March of 2018.

As specified in statute, the outcomes-based funding formula uses 16 measures, four each within goals for Access, Success, Workforce, and Efficiency:

1. Grow and ensure student access
  - a. Wisconsin high school graduates enrolled as degree-seeking undergraduates
  - b. Pell-eligible students enrolled as undergraduates
  - c. Under-represented students enrolled as undergraduates
  - d. Transfer students enrolled as undergraduates
2. Improve and excel at student progress and completion
  - a. Undergraduates who achieved 30 credit hours
  - b. Undergraduates who achieved 90 credit hours
  - c. Undergraduate degrees awarded
  - d. Post-baccalaureate degrees awarded
3. Expand contributions to the workforce
  - a. Graduates in STEM disciplines
  - b. Graduates in health-related disciplines
  - c. Pell-eligible graduates
  - d. Research and public service expenditures
4. Enhance operational efficiency and effectiveness
  - a. Core expense ratio
  - b. Average number of credit hours required for an undergraduate degree
  - c. Average student debt on baccalaureate graduation
  - d. Degrees awarded per 100 full-time equivalent (FTE) enrollments

In the OBF formula, each of the four categories is assigned a weight of 25%. Within each category, institutions weight each of the individual measures to reflect institutional mission. The default weight of each individual measure is 6.25%, the minimum possible weight is 1%, and the maximum possible weight is 22%. Overall performance on the OBF measures is driven by change in the measures as weighted by institutional mission.

Change is measured in the OBF formula between two overlapping three-year periods: a current period including the most recent year of available data, and a base period of three prior years. The three-year periods ensure that allocation is driven by sustained improvements over time, rather than one-time swings. For example, the FY20 allocation included data from 2016-17, 2017-18, 2018-19 for the current period and data from 2015-16, 2016-17, and 2017-18 for the base period.

### **FY19 and FY20 OBF Allocations**

The table on the next page shows the amount distributed to each institution using the OBF formula for FY19 and FY20.

The OBF formula starts with each institution's beginning appropriation share, which is its proportion of base GPR/fee funding. The beginning appropriation share is a major factor in the OBF allocation. In FY20, UW-Madison had the largest beginning appropriation share (41.4%) and had the largest OBF allocation of any UW institution (\$9.4 million). UW-Superior had the smallest beginning appropriation share (1.8%) and the smallest OBF allocation (\$0.4 million).

An institution's beginning appropriation share is modified by its performance on the outcomes-based funding measures. In FY20, performance on OBF measures had the largest impact on UW-Madison's appropriation share, increasing it from 41.4% to 41.9%. UW-Milwaukee had the next largest effect, decreasing from 15.5% to 15.2%. UW-Stevens Point decreased from 4.8% to 4.6%. UW-Platteville's appropriation share increased from 3.1% to 3.2%. Change at all other institutions was less than 0.1 percentage points.

### Summary of UW System Outcome Based Funding Allocations

UW Institution (main campus only)	Allocation for FY19				Allocation for FY20			
	Beginning Appropriation Share	Change in Outcomes	New Appropriation Share	Outcomes Funding Allocation	Beginning Appropriation Share*	Change in Outcomes	New Appropriation Share	Outcomes Funding Allocation
UW-Eau Claire	5.5%	-0.51%	5.5%	\$1,438,699	5.5%	-0.34%	5.5%	\$1,239,192
UW-Green Bay	2.8%	1.03%	2.9%	\$748,872	2.8%	0.80%	2.9%	\$643,187
UW-La Crosse	4.6%	0.32%	4.6%	\$1,212,380	4.6%	1.12%	4.7%	\$1,049,682
UW-Madison	41.5%	1.41%	41.8%	\$10,980,743	41.4%	1.44%	41.9%	\$9,424,242
UW-Milwaukee	15.5%	-0.12%	15.4%	\$4,030,209	15.5%	-1.43%	15.2%	\$3,430,903
UW-Oshkosh	5.6%	1.05%	5.6%	\$1,468,382	5.6%	1.14%	5.6%	\$1,263,285
UW-Parkside	2.6%	0.58%	2.6%	\$684,957	2.6%	1.14%	2.6%	\$592,750
UW-Platteville	3.1%	3.40%	3.2%	\$843,188	3.1%	2.43%	3.2%	\$717,593
UW-River Falls	3.1%	-0.39%	3.0%	\$792,529	3.0%	-0.07%	3.0%	\$678,108
UW-Stevens Point	4.8%	-2.97%	4.6%	\$1,205,986	4.8%	-4.52%	4.6%	\$1,027,584
UW-Stout	4.2%	0.93%	4.3%	\$1,117,531	4.2%	0.22%	4.2%	\$952,315
UW-Superior	1.8%	-0.43%	1.8%	\$465,291	1.8%	-0.76%	1.8%	\$398,103
UW-Whitewater	4.8%	0.08%	4.8%	\$1,261,233	4.8%	-0.37%	4.8%	\$1,083,055
<b>Total</b>	<b>100.0%</b>	<b>0.50%</b>	<b>100.0%</b>	<b>\$26,250,000</b>	<b>100.0%</b>	<b>0.20%</b>	<b>100.0%</b>	<b>\$22,500,000</b>

Allocation for FY19 was established 10/10/2018. Allocation for FY20 was established 10/9/2019.

\*Beginning appropriation share for FY20 includes the FY19 OBF allocation.

## Systemwide Results on OBF Measures

Performance on OBF measures in FY19 and FY20 systemwide primarily was driven by increases in degree-related measures. Post-baccalaureate degrees, STEM degrees, and health degrees all increased systemwide; degrees per FTE and undergraduate degrees had slight increases as well. Pell graduates, however, declined.

Enrollment-related OBF measures declined systemwide, with the exception of underrepresented minority undergraduates. The impact of recent enrollment declines will be moderated by, and extended through, the three-year periods used by the model.

The remaining OBF measures were research and public service expenditures (increased systemwide), core expense ratio (decreased), average credit hour requirements (improved, but largely unchanged), and student debt (improved).

Performance on OBF Measures UW System	FY19 Allocation		FY20 Allocation	
	% change in OBF measure	UW's with improvement (# out of 13)	% change in OBF measure	UW's with improvement (# out of 13)
<b>ACCESS</b>				
Wisconsin resident new freshmen	-0.4%	7	-0.9%	8
Pell recipients enrolled	-4.1%	0	-2.7%	1
Underrepresented minorities enrolled	1.8%	11	1.5%	9
Transfer students enrolled as undergraduates	-2.1%	2	-3.6%	2
<b>SUCCESS</b>				
Undergraduates who have achieved 30 credit hours	-1.0%	2	-1.2%	5
Undergraduates who have achieved 90 credit hours	-1.3%	4	-1.8%	2
Undergraduate degrees awarded	0.2%	6	-0.3%	6
Post-baccalaureate degrees awarded	2.1%	9	1.2%	11
<b>WORKFORCE</b>				
Graduates in STEM disciplines	2.9%	8	3.1%	11
Graduates in health-related disciplines	5.3%	10	3.2%	9
Pell recipients graduated	-3.1%	0	-4.0%	2
Research and public service expenditures	0.6%	4	1.9%	7
<b>EFFICIENCY</b>				
Core expense ratio	-2.1%	5	-2.1%	5
Avg. # credit hours required for an undergraduate degree	0.0%	7	0.0%	9
Avg. student debt on baccalaureate graduation	0.3%	9	0.5%	9
Degrees awarded per 100 FTE	1.1%	10	1.3%	9

Note: Percent change is calculated from the base period to the current period. The goal is to increase each measure, except for average credit hours required and average student debt, where reductions are sought. Therefore, average credit hours required and average student debt have been inverted to translate reductions in these measures into positive percent change.

## Appendix A: Institution Results on OBF Measures

Percent Change in OBF Measures	FY19 Allocation												
	EAU	GBY	LAC	MSN	MIL	OSH	PKS	PLT	RVF	STP	STO	SUP	WTW
<b>ACCESS</b>													
WI resident new freshmen	2.7%	5.4%	2.7%	-0.1%	-2.8%	-5.6%	4.6%	-4.3%	0.4%	-2.4%	1.0%	2.8%	-3.2%
Pell recipients enrolled	-3.7%	-2.6%	-3.2%	-0.3%	-5.8%	-5.9%	-4.0%	-5.7%	-2.1%	-6.2%	-3.4%	-5.9%	-2.2%
Underrepresented minorities	4.9%	7.6%	2.0%	2.0%	-0.8%	3.2%	3.1%	3.7%	6.3%	1.3%	4.1%	-2.0%	2.0%
Transfer students	0.1%	-1.5%	-2.9%	0.5%	-7.5%	-2.3%	-4.1%	-1.6%	-1.6%	-6.1%	-3.6%	-2.2%	-1.6%
<b>SUCCESS</b>													
Undergrads with 30 credits	-0.1%	-0.8%	-0.3%	1.1%	-3.0%	-3.6%	-1.5%	0.0%	-0.7%	-5.9%	-0.8%	-1.7%	1.0%
Undergrads with 90 credits	-3.4%	-0.4%	-0.9%	0.8%	-5.3%	-1.9%	3.0%	0.3%	-3.0%	-5.9%	-1.0%	-1.0%	0.2%
Undergrad degrees awarded	-2.6%	-1.3%	-0.8%	1.7%	1.9%	0.9%	2.0%	2.3%	-3.7%	-3.9%	-0.9%	-1.6%	1.0%
Post-baccalaureate degrees	7.5%		-1.9%	0.8%	-1.6%	4%	-7.5%	4%	0.9%	0.0%	9%		0.1%
<b>WORKFORCE</b>													
Graduates in STEM	-4.3%	1.4%	-0.4%	3.6%	6.3%	0.2%	-2.8%	7.6%	-5.2%	-2.3%	3.2%	3.1%	1.7%
Grads in health-related	2.1%	8.8%	6.7%	6.0%	9.2%	4.3%	4.6%	0.0%	-5.0%	2.2%	-7.0%		5%
Pell recipients graduated	-6.3%	-1.5%	-5.6%	-3.5%	-0.3%	-1.4%	-0.6%	-4.8%	-5.3%	-4.1%	-5.8%	-3.9%	-1.6%
Research and public service \$	8.7%	3.6%	-4.0%	1.0%	-3.4%	4.4%	-7.5%	-10.9%	-1.3%	-3.4%		-5.2%	-1.5%
<b>EFFICIENCY</b>													
Core expense ratio	-5.5%	-2.0%	-4.0%	-0.8%	0.0%	-7.4%	1.0%	-12.1%	8.0%	-5.1%	-0.8%	0.5%	0.7%
Avg. # credit hours for undergrad	0.0%	0.2%	0.1%	0.0%	0.1%	0.0%	-0.2%	0.3%	-0.3%	0.0%	0.0%	0.1%	0.0%
Avg. student debt	0.1%	0.2%	1.0%	-0.7%	-1.5%	0.6%	2.6%	0.4%	1.2%	-0.1%	0.0%	-0.4%	0.6%
Degrees awarded per 100 FTE	-2.3%	0.7%	-0.4%	0.7%	3.4%	6.0%	1.7%	5.5%	-3.6%	0.8%	1.7%	0.6%	0.9%
<b>OBF measures that increased (# out of 16)</b>	8	9	5	10	6	7	8	8	5	4	7	7	10

Note: Percent change is calculated from the base period to the current period. The goal is to increase each measure, except for average credit hours required and average student debt, where reductions are sought. Therefore, average credit hours required and average student debt have been inverted to translate reductions in these measures into positive percent change.

		FY20 Allocation												
Percent Change in OBF Measures		EAU	GBY	LAC	MSN	MIL	OSH	PKS	PLT	BVF	STP	STD	SUP	WTW
<b>ACCESS</b>														
	WJ resident new freshmen	0.9%	5.2%	1.8%	0.4%	-2.9%	2.0%	1.1%	-4.5%	5.4%	-7.2%	-2.2%	2.7%	-5.4%
	Pell recipients enrolled	-0.9%	-0.4%	-0.3%	3.6%	-4.5%	-5.0%	-2.6%	-4.6%	-1.2%	-8.3%	-3.6%	-2.4%	-2.9%
	Underrepresented minorities	5.1%	1.5%	3.1%	2.3%	-1.4%	5.6%	3.5%	2.0%	4.7%	-4.8%	1.1%	-2.3%	-0.1%
	Transfer students	2.2%	0.0%	-3.8%	-0.6%	-4.9%	-5.8%	0.0%	-4.3%	-6.3%	-7.9%	-7.7%	1.4%	-4.6%
<b>SUCCESS</b>														
	Undergrads with 30 credits	0.8%	1.0%	0.3%	1.2%	-3.3%	-4.5%	-0.9%	-1.6%	1.0%	-8.9%	-2.9%	-0.3%	-0.2%
	Undergrads with 90 credits	-1.3%	-1.1%	-0.1%	0.5%	-3.3%	-3.3%	-0.4%	-1.6%	-2.3%	-13.2%	-1.7%	-0.4%	0.9%
	Undergrad degrees awarded	-1.3%	-2.8%	2.4%	1.3%	-4.4%	0.2%	1.9%	3.1%	-0.2%	-3.6%	-0.2%	-2.5%	1.2%
	Post-baccalaureate degrees	3.6%	3.4%	2.0%	0.5%	0.0%	6.5%	1.6%	5.7%	-3.1%	1.3%	2.6%	1.9%	1.3%
<b>WORKFORCE</b>														
	Graduates in STEM	-2.1%	5.5%	3.7%	3.1%	1.3%	0.6%	1.1%	7.5%	4.1%	-3.9%	3.7%	8.9%	1.6%
	Grads in health-related	1.2%	3.6%	-0.2%	4.0%	4.6%	1.3%	8.8%	0.0%	1.3%	0.5%	-8.8%	-12.5%	3.0%
	Pell recipients graduated	-7.9%	-4.8%	0.3%	-4.1%	-5.3%	-0.7%	0.6%	-4.7%	-0.9%	-5.3%	-5.2%	-9.0%	-2.7%
	Research and public service \$	-4.6%	3.0%	-2.4%	2.3%	0.4%	-10.7%	4.9%	-12.3%	-3.0%	-9.9%	1.9%	0.3%	6.0%
<b>EFFICIENCY</b>														
	Core expense ratio	-8.5%	0.1%	-0.9%	-4.2%	3.8%	-7.6%	-0.3%	-0.9%	0.2%	-4.0%	0.5%	2.0%	-2.6%
	Avg. # credit hours for undergrad	0.0%	0.2%	0.1%	0.0%	0.1%	0.0%	-0.2%	0.1%	-0.2%	0.0%	0.0%	0.1%	0.0%
	Avg. student debt	0.5%	3.7%	2.1%	1.1%	0.4%	-0.3%	0.9%	-0.9%	0.4%	2.7%	-0.3%	-5.4%	1.6%
	Degrees awarded per 100 FTE	-1.3%	-3.3%	3.0%	0.7%	-1.5%	4.6%	1.7%	6.6%	-2.2%	2.8%	3.0%	1.9%	3.0%
<b>OBF measures that increased (# out of 16)</b>		8	10	10	12	6	7	10	6	7	5	7	8	9

Note: Percent change is calculated from the base period to the current period. The goal is to increase each measure, except for average credit hours required and average student debt, where reductions are sought. Therefore, average credit hours required and average student debt have been inverted to translate reductions in these measures into positive percent change.

**Appendix B: OBF Allocation Detail**

**UW System Outcomes Based Funding  
Allocation for FY19**

UW Institution (main campus only)	2017-18 Adjusted GPR/Fee Base	Beginning Appropriation Share	Base Period Weighted Outcomes	Current Period Weighted Outcomes	Change in Outcomes	Appropriation Share Growth	New Appropriation Share	Outcomes Funding Allocation
UW-Eau Claire	5.0%	5.5%	1,837.46	1,828.12	-0.51%	5.52%	5.5%	\$1,438,699
UW-Green Bay	2.6%	2.8%	1,394.88	1,409.24	1.03%	2.87%	2.9%	\$748,872
UW-La Crosse	4.2%	4.6%	1,903.10	1,909.28	0.32%	4.65%	4.6%	\$1,212,380
UW-Madison	37.3%	41.5%	7,468.27	7,573.44	1.41%	42.10%	41.8%	\$10,980,743
UW-Milwaukee	13.9%	15.5%	4,035.63	4,030.79	-0.12%	15.45%	15.4%	\$4,030,209
UW-Oshkosh	5.0%	5.6%	1,896.82	1,916.75	1.05%	5.63%	5.6%	\$1,468,382
UW-Parkside	2.3%	2.6%	1,094.92	1,101.30	0.58%	2.63%	2.6%	\$684,957
UW-Platteville	2.8%	3.1%	1,605.11	1,659.68	3.40%	3.23%	3.2%	\$843,188
UW-River Falls	2.7%	3.1%	1,313.91	1,308.77	-0.39%	3.04%	3.0%	\$792,529
UW-Stevens Point	4.3%	4.8%	1,930.27	1,873.00	-2.97%	4.62%	4.6%	\$1,205,986
UW-Stout	3.8%	4.2%	1,524.74	1,538.88	0.93%	4.28%	4.3%	\$1,117,531
UW-Superior	1.6%	1.8%	789.06	785.63	-0.43%	1.78%	1.8%	\$465,291
UW-Whitewater	4.3%	4.8%	1,820.46	1,821.85	0.08%	4.84%	4.8%	\$1,261,233
<b>Total</b>	<b>89.9%</b>	<b>100.0%</b>	<b>28,614.61</b>	<b>28,756.71</b>	<b>0.50%</b>	<b>100.6%</b>	<b>100.0%</b>	<b>\$26,250,000</b>

UW Colleges	3.8%
UW-Extension	4.5%
UW System Admin.	0.5%
UW Systemwide	1.3%
UW System Total	100.0%

Final: 10/10/2018

**UW System Outcomes Based Funding  
Allocation for FY20**

UW Institution (main campus only)	2018-19 Adjusted GPR/Fee Base*	Beginning Appropriation Share	Base Period Weighted Outcomes	Current Period Weighted Outcomes	Change in Outcomes	Appropriation Share Growth	New Appropriation Share	Outcomes Funding Allocation
UW-Eau Claire	5.0%	5.5%	1,823.86	1,817.58	-0.34%	5.53%	5.5%	\$1,239,192
UW-Green Bay	2.6%	2.8%	1,416.63	1,427.94	0.80%	2.87%	2.9%	\$643,187
UW-La Crosse	4.2%	4.6%	1,903.80	1,925.16	1.12%	4.68%	4.7%	\$1,049,682
UW-Madison	37.3%	41.4%	7,532.88	7,641.56	1.44%	42.04%	41.9%	\$9,424,242
UW-Milwaukee	14.0%	15.5%	4,027.45	3,969.98	-1.43%	15.30%	15.2%	\$3,430,903
UW-Oshkosh	5.0%	5.6%	1,916.90	1,938.71	1.14%	5.63%	5.6%	\$1,263,285
UW-Parkside	2.4%	2.6%	1,106.83	1,119.45	1.14%	2.64%	2.6%	\$592,750
UW-Platteville	2.8%	3.1%	1,647.57	1,687.65	2.43%	3.20%	3.2%	\$717,593
UW-River Falls	2.7%	3.0%	1,315.49	1,314.52	-0.07%	3.02%	3.0%	\$678,108
UW-Stevens Point	4.3%	4.8%	1,881.79	1,796.79	-4.52%	4.58%	4.6%	\$1,027,584
UW-Stout	3.8%	4.2%	1,540.82	1,544.20	0.22%	4.25%	4.2%	\$952,315
UW-Superior	1.6%	1.8%	790.92	784.89	-0.76%	1.78%	1.8%	\$398,103
UW-Whitewater	4.4%	4.8%	1,833.50	1,826.78	-0.37%	4.83%	4.8%	\$1,083,055
<b>Total</b>	<b>90.1%</b>	<b>100.0%</b>	<b>28,738.44</b>	<b>28,795.20</b>	<b>0.20%</b>	<b>100.4%</b>	<b>100.0%</b>	<b>\$22,500,000</b>

UW Colleges	3.7%
UW-Extension	4.5%
UW System Admin.	0.5%
UW Systemwide	1.3%
UW System Total	100.0%

\*Includes the FY19 OBF allocation.  
Final: 10/9/2019