



Tab 3

Performance Funding and Efficiency/Reforms Study

Coordinating Board for Higher Education
June 15, 2022

BACKGROUND

HB 3003 (2022) is the appropriations bill that includes funding for the Department of Higher Education & Workforce Development's budget; public higher education institutions; student financial aid programs; and other programs, projects, and services. Through the bill, the General Assembly appropriated \$450,000 and directed DHEWD to use the appropriated funds:

"For commissioning a study which provides recommendations to the Governor and General Assembly on public higher education performance funding models, considering state fiscal climate and institutional mission, to be completed by December 15, 2022; and for commissioning a study that makes recommendations to the Governor and General Assembly regarding higher education efficiency and possible reforms, considering current institutional missions and state fiscal resources, to be completed by July 1, 2023."

Although the Governor has not signed HB 3003, department staff have begun planning for implementation of the requirement so they will be prepared in the event that the Governor does not line-item veto the language in the bill.

CURRENT STATUS

The department will be required to comply with state rules that govern the procurement of services to commission this study. Staff have drafted the attached scope of work, which will be part of the request for proposals issued by the Office of Administration. Staff sought feedback on the draft through an email to all public institution presidents and chancellors on May 4, 2022.

Department staff also sought feedback from public institution presidents and chancellors on the best way to engage stakeholders in the development of the study. Staff presented options including:

- One advisory committee comprised of representatives of the Council on Public Higher Education, the Missouri Community College Association, and the University of Missouri System, as well as legislators or their designees and staff from the Governor's Office. The advisory committee would be engaged through the development of both parts of the study (performance funding and efficiency). The advisory committee would meet at key points throughout the development of the study through a combination of in-person and online meetings. Department staff would keep all presidents and chancellors informed by email and through updates at regularly scheduled CBHE meetings.
- Two advisory committees with similar composition and meeting style as described above, but each of the two committees would be engaged in one part of the study (i.e., either performance funding or efficiency).
- A town hall approach in which all presidents/chancellors, chief financial officers, and other interested parties can receive periodic updates and provide feedback at key points as the study develops. Most meetings would be online. Department staff would provide updates and offer opportunities for feedback at regularly scheduled CBHE meetings.

As the attached survey responses indicate, six respondents preferred the approach of having a single advisory committee and four preferred a town hall approach. After considerable discussion, department staff recommend establishing an advisory committee that will provide feedback that represents the diversity of Missouri's public higher education system, but retains the continuity and engagement associated with being a member of an advisory committee as opposed to an intermittent town hall attendee.

NEXT STEPS

Timeline

Part 1: Performance Funding Model Review and Recommendations

The consultants will be asked to produce a final review and recommendations on performance funding by November 18, 2022. That will provide an opportunity for the advisory committee and other stakeholders to review the final report and provide feedback in advance of the CBHE's December 7, 2022, meeting. At that meeting, the board may simply accept the consultant's report and any comments received on it, vote to approve the report or endorse its recommendations, or take any other action deemed appropriate at that time. DHEWD will then forward the final report and any related documents to the General Assembly and the Governor by December 15, 2022.

Part 2: Efficiency and Possible Reforms

The consultants will be asked to produce a final review and recommendations on efficiency and possible reforms by June 1, 2023. That will provide an opportunity for the advisory committee and other stakeholders to review the final report and provide feedback in advance of the CBHE's June 14, 2023, meeting. As with the performance funding component of the study, the board may simply accept the consultant's report and any comments received on it, may vote to approve the report or endorse its recommendations, or may take any other action deemed appropriate at that time. DHEWD will then forward the final report and any related documents to the General Assembly and the Governor by July 1, 2023.

Stakeholder Engagement

Although procurement of services to complete the study will take time, department staff will begin planning for the appointment of the advisory committee immediately. The role of the advisory committee will be to:

1. Receive periodic updates from the consultants who are conducting the study;
2. Provide feedback to the consultants on the plan for conducting the study, preliminary results, and final recommendations; and
3. Provide feedback to department staff and the CBHE on preliminary results and final recommendations.

At this time, department staff anticipate that the advisory committee's feedback will be represented in a document that accompanies the consultant's report. Department staff do not anticipate that the advisory committee will vote to approve or disapprove the consultant's report.

Department staff propose the following composition for the advisory committee:

- Legislators and/or legislative staff: 10
- Joint Committee on Education executive director: 1
- Office of Administration staff: 1
- Governor's Office staff: 1
- Up to one designee from each institution as well as the COPHE and MCCA executive directors and a representative of the University of Missouri System. Each campus within the UM System may designate one participant. Other multi-campus systems may designate one participant per campus if doing so is necessary to reflect the distinct missions of each campus. If COPHE, MCCA, or the UM System prefer to identify a smaller number of designees that would represent the major categories within their groups (i.e., urban/rural/suburban or based on admissions selectivity) they may opt to do so.

In addition, the following DHEWD staff will support the work of the consultants and the advisory committee: Interim Commissioner Leroy Wade, Special Assistant for External Relations Gerren McHam, Assistant Commissioner for Performance & Strategy Veronica Gielazauskas, Assistant Commissioner for Postsecondary Policy Mara Woody, and Education Research Director Jeremy Kintzel

After the board approves the plan for stakeholder engagement, DHEWD staff will reach out to COPHE, MCCA, and the University of Missouri System and ask those entities to identify the members of the advisory committee.

RECOMMENDATION

Department staff recommend that the board approve the timeline and plan for stakeholder engagement.

ATTACHMENTS

- A. Draft Study on Higher Education Performance Funding and Efficiency/Reforms Scope of Work
- B. Feedback on Stakeholder Engagement for Study on Higher Education Performance Funding and Efficiency/Reforms

Tab 3 Attachment A
Draft Study Scope of Work



Scope of Work:

Study on Higher Education Performance Funding and Efficiency/ Reforms

OVERVIEW

The Missouri Department of Higher Education and Workforce Development (“MDHEWD” or “department”) requests bids for services to fulfill a directive of the Missouri General Assembly. The directive was included in HB 3003 (2022), the appropriations bill that includes funding for the department’s budget; public higher education institutions; student financial aid programs; and other programs, projects, and services. Through the bill, the General Assembly directed MDHEWD to use the appropriated funds:

“For commissioning a study which provides recommendations to the Governor and General Assembly on public higher education performance funding models, considering state fiscal climate and institutional mission, to be completed by December 15, 2022; and for commissioning a study that makes recommendations to the Governor and General Assembly regarding higher education efficiency and possible reforms, considering current institutional missions and state fiscal resources, to be completed by July 1, 2023.”

OBJECTIVE

The recipient of this contract (“Contractor”) will provide a two-part study, as described below, as well as a comprehensive work plan described in Part 3 of this Scope of Work.

Part 1: Performance Funding Model Review and Recommendations

No later than November 18, 2022, Contractor will provide a final written report that includes:

1. High-level contextual information about general trends in higher education funding in other states.

2. A brief assessment of Missouri's current performance funding model and an explanation of why the model has not been implemented in recent budget cycles.
3. Descriptions of performance funding models that have demonstrated long-term success in other states, systems, or sectors at driving progress toward specific, identified outcomes. Contractor will provide data that illustrate the success of those models. Contractor will explain how the states/systems/sectors identified are similar to and different than Missouri in terms of demographics, educational attainment levels, higher education governance, institution mission and mix, state and local financial support for public higher education, tuition levels, enrollment trends, and any other factors Contractor deems relevant, and will describe how any differences could impact Missouri's likelihood of successfully adopting those states' models. Contractor will identify factors that led to each model's successful implementation, such as strong support from a governor or key legislator, connection to workforce development needs, etc.
4. Recommendations about the models that would be most effective in driving progress toward specific, identified outcomes in Missouri. The recommendations will identify the data source of each element of each recommended model, including those that would require new data collections from institutions and/or new agreements with other state agencies and other states. The recommended model(s) should not disincentivize institutions from preparing students to enter occupations with high societal value but relatively low earnings.
5. Projections that illustrate the potential impact, in terms of performance on specific performance measures, the recommended models could have on individual institutions in Missouri. For purposes of comparison, the study should also include the projected impact of the current performance funding model and the state's current approach to higher education funding.
6. Projections that illustrate the additional resources, including state funding, local funding, or performance funding, that could be required to successfully implement the recommended models.
7. Opportunities for alignment with [Building Missouri's Future](#), the state's strategic plan for higher education and workforce development.
8. Recommendations about how to evaluate the long-term effectiveness of performance funding in Missouri.
9. Recommendations about changes in MDHEWD staffing levels and other administrative resources needed to successfully implement and evaluate a new performance funding model.

Part 2: Higher Education Efficiency and Possible Reform Review and Recommendations

No later than June 1, 2023, Contractor will provide a final written report that includes:

1. High-level contextual information about how Missouri's public higher education governance model and delivery system compares to other states.
2. Descriptions of at least five measures other states have successfully implemented to achieve specific, identified outcomes characterized as increased efficiency. Contractor will identify how each state defined efficiency and provide data that illustrate the success of each model. Contractor will explain how the states/systems/ sectors identified are similar to and different than Missouri in terms of demographics, educational attainment levels, higher education governance, institution mission and mix, state and local financial support for public higher education, tuition levels, enrollment trends, and any other factors Contractor deems relevant, and will describe how any differences could impact Missouri's likelihood of successfully adopting those states' models or initiatives.
3. Recommendations about measures that could increase the efficiency with which postsecondary education is provided in Missouri.
4. Projections that illustrate the potential impact the recommended models could have on individual institutions in Missouri, including whether the recommended model would impact individual institutions' funding under the performance funding model.
5. Opportunities for alignment with [Building Missouri's Future](#), the state's strategic plan for higher education and workforce development.
6. Recommendations about how to evaluate the long-term effectiveness of any efficiency measures adopted in Missouri. The recommendations will identify the data source of each element required to evaluate effectiveness, including those that would require new data collections from institutions and new agreements with other state agencies and other states.
7. Recommendations about changes in MDHEWD staffing infrastructure and other administrative resources needed to successfully implement and evaluate higher education reforms in Missouri.

Project Management and Communication

Immediately after the contract is awarded, Contractor will take lead on working with MDHEWD to develop and agree upon a work plan. Contractor will provide MDHEWD with the first draft of the work plan no later than 14 calendar days after the contract is awarded. The work plan will:

1. Identify major milestones that lead to the completion of each segment of the final report, including opportunities for stakeholders to provide feedback that is reflected in the final report.
2. Articulate a plan for stakeholder engagement developed in partnership with MDHEWD staff. The plan will include providing regular updates to and receiving feedback from stakeholders, as well as one-on-one consultations with key stakeholders at critical points in the development of each component of the report. Contractor's interactions with stakeholders will be documented and available for inclusion in the final report.

3. Describe clear roles for MDHEWD and Contractor.
4. Establish a regular communication cadence between MDHEWD and Contractor staff, including the development of meeting agendas and the identification of decision points with an analysis of the potential risks associated with each decision and recommendations about steps MDHEWD can take to mitigate those risks.
5. Identify the personnel responsible for key tasks, including a representative of Contractor who will be available to speak to the Coordinating Board for Higher Education, the higher education community, legislators, governor's staff, and other interested parties.
6. Clarify any other key elements needed for the two parties to work together successfully.
7. Describe invoice submission and payment process in alignment with completed milestones.

Contractor Experience and Personnel Requirements

Contractor must have the following attributes:

1. Capable of directly collecting necessary data or ability to access publicly available, external data.
2. Requires minimal additional data from higher education institutions or MDHEWD.
3. Experience evaluating higher education funding and efficiency models and knowledge of state higher education structures.
4. Available for up to four in-person presentations to stakeholders and the Coordinating Board for Higher Education, as well as up to three in-person presentations to the Missouri General Assembly.

BACKGROUND

Overview

MDHEWD is the administrative arm of the Coordinating Board for Higher Education ("CBHE"). MDHEWD's core functions include coordination of the public higher education system, including approval of new academic programs and instruction sites; offering programs that make postsecondary education more affordable; improving student success; and administering public workforce programs. Until 2019, MDHEWD's functions did not include functions related to the public workforce system and the department was called the Missouri Department of Higher Education ("MDHE").

Details about Missouri's public colleges and universities are included in the department's [Higher Education Factbook](#).

Performance Funding

Missouri has a long, intermittent history with performance funding for higher education. The most recent model originated in 2012. The model was based on recommendations from a task force of representatives from public higher education institutions, legislative staff, then-Governor Jay Nixon's office, and the MDHE. The model is reflected in language that was added to [§ 173.1006, RSMo](#), in 2014. The statute requires public colleges and universities to submit five performance measures to be approved by the CBHE and used for performance funding. It also requires institutions to adopt an additional measure relating to job placement.

Funds were first allocated through the performance funding model in Fiscal Year ("FY") 2014, which ran from July 1, 2012 through June 30, 2014. Colleges and universities received new funding through the performance funding model for FYs 2014-2016. In FY 2017, funds were appropriated through the performance funding model, but they were eventually withheld by then-Governor Eric Greitens.

In 2017, MDHE convened a task force to update the previous performance funding model. The task force included representatives from public higher education institutions, legislative staff, then-Governor Eric Greitens' office, and the MDHE. Governor Greitens recommended that ten percent of each institutions' core funding be allocated based on the new model. The General Assembly did not adopt the governor's recommendations.

MDHE/MDHEWD continued to include performance funding in its budget recommendations through FY 2021, before the March 2020 COVID-19 state of emergency. However, current Governor Mike Parson has not included performance funding in his recommendations nor has the General Assembly included performance funding in their budget decisions. As a result, MDHEWD stopped including performance funding in its budget recommendations in advance of the FY 2022 budget.

Relevant documents linked below provide additional information about performance funding in Missouri.

Efficiency

Section 173.020, RSMo, gives the CBHE authority to develop "arrangements for more effective and economical specialization among institutions in types of education programs offered and students served, and for more effective coordination and mutual support among institutions in the utilization of facilities, faculty and other resources." Other provisions in Chapter 173, RSMo, and other state laws support that role.

The department's most recent exercise of this authority came in 2016, when MDHE established a Higher Education System Review Task Force. The task force's final report is available [here](#).

LINKS TO RELEVANT DOCUMENTS

1. [Higher Education Factbook](#)
2. [Performance Funding Update and Missouri Performance Funding Task Force Letter](#)
3. [Revision of the CBHE Performance Funding Model](#)

4. [Performance Funding in Missouri Report](#)
5. [Higher Education System Review Report](#)
6. [Building Missouri's Future](#)

PROPOSAL COMPONENTS

Individuals or organizations that are interested in submitting a proposal in response to this Scope of Work (“Bidder”) should include the following in their proposals:

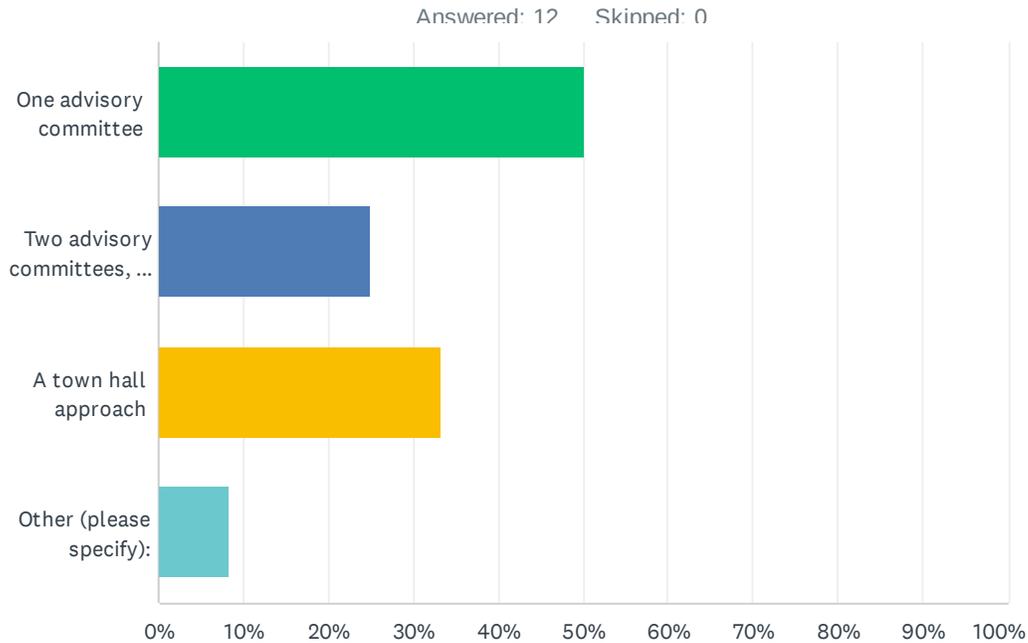
1. A description of the overall approach Bidder would take to developing the study.
2. A preliminary timeline that includes major milestones leading up to the deadlines identified above. For meetings, indicate whether the preliminary plan for each meeting is to be in person or online.
3. A description of comparable studies, reports, or projects Bidder has developed for other states and/or systems. Include the dates, scope, and impetus of each such study/report/project; indicate what (if any) action was taken as a result of the study/report/project; and provide contact information of someone other than Bidder who can serve as a reference for the study/report/project. Provide copies of or links to each such study/report/project.
4. Information about each person who will work on the study on Bidder’s behalf. For each such person, provide their name and a short summary of their professional background. Indicate the capacity in which each such person will work (i.e., partners/senior partner, associate partner, engagement manager, associate, business analyst).
5. A detailed budget that includes travel costs, not to exceed \$450,000.

SCORING RUBRIC (200 points)

| Category | Maximum Points |
|---|----------------|
| Cost | 100 |
| The proposal articulates a credible plan for producing a quality study and meeting the deadlines identified above. | 40 |
| Bidder has demonstrated experience producing comparable studies/reports/projects. | 25 |
| The individuals who will work on the study have the experience needed to complete this study successfully. | 25 |
| The proposal is of high quality and reflects Bidder’s capacity to produce a study that is clearly and concisely written, has no or minimal errors, and presents information in a visually appealing manner. | 10 |
| | 200 |

Tab 3 Attachment B
Feedback on Stakeholder Engagement for Study on Higher Education Performance Funding and Efficiency/Reforms

Q1 Please indicate which approach you recommend.



| ANSWER CHOICES | RESPONSES | |
|---|-----------|---|
| One advisory committee | 50.00% | 6 |
| Two advisory committees, one focused on performance funding and one focused on efficiency | 25.00% | 3 |
| A town hall approach | 33.33% | 4 |
| Other (please specify): | 8.33% | 1 |
| Total Respondents: 12 | | |

| # | OTHER (PLEASE SPECIFY): | DATE |
|---|---|--------------------|
| 1 | We recommend both a one advisory and town hall approach. If only one is feasible, a one advisory committee approach is preferred. | 5/26/2022 10:25 AM |

Study on Higher Education Performance Funding and Efficiency/Reforms Feedback

Coordinating Board for Higher Education

June 15, 2022

Tab 3 Attachment B

Feedback on Stakeholder Engagement for Study on Higher Education Performance Funding and Efficiency/Reforms

Q2 Do you have other questions or suggestions about this study? If so, please summarize them here.

Answered: 8 Skipped: 4

| # | RESPONSES | DATE |
|---|--|--------------------|
| 1 | Because a committee feasibly would not include representatives from every campus, my preference is actually one advisory committee supplemented by a town hall approach (led by the advisory committee or consultant). | 5/27/2022 7:27 AM |
| 2 | We reiterate our comments submitted in a letter to Gerren McHam on May 10, 2022, regarding modifications to the scope of work. The University believes it would be helpful to evaluate why the current model is not being utilized, and should include a look at the status quo and an evaluation of whether continuing is in the best interest of the state. | 5/26/2022 10:25 AM |
| 3 | It is important to note that the legislative language says nothing about the goals of these studies. That is, there has been no determination as to what MO would be looking for in a performance funding model, or whether MO should have some such model at all. It's crucial that those participating in this study (in whatever capacity) recognize and respect that fact. | 5/23/2022 12:30 PM |
| 4 | Not at this time. | 5/22/2022 10:44 PM |
| 5 | Please be sure to include conversation about the varying missions of our institutions and how this impacts student success and university performance. | 5/20/2022 8:32 AM |
| 6 | I believe that these topics closely related and one advisory committee for both would be the best approach. | 5/20/2022 8:20 AM |
| 7 | Ensure representation on the committee from community colleges and universities with an additional emphasis on rural, suburban, and urban | 5/20/2022 6:20 AM |
| 8 | It is important to explicitly describe what performance funding and efficiency are supposed to achieve and the rationale for those outcomes. | 5/19/2022 5:10 PM |