

AGENDA ITEM SUMMARY

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Revision of the CBHE Performance Funding Model
Coordinating Board for Higher Education
December 14, 2017

DESCRIPTION

At the September Coordinating Board for Higher Education (CBHE) meeting, Missouri Department of Higher Education (MDHE) staff provided an update on the progress toward a revised performance funding model. The intent of this board item is to update the board regarding recent work to update the model and to gain CBHE approval of revisions to the model recommended by the task force.

Background

In May, Commissioner Mulligan appointed a task force to conduct a comprehensive review of the performance funding model and recommend changes to keep the model updated and to address issues raised by legislators and other policy makers. The Commissioner's charge to the task force and a roster of its members are attached to this agenda item. The task force met throughout the summer to work through issues with the current model and to update the structure in response to questions and concerns from constituents and to maintain currency with existing best practices for performance funding models.

After the September CBHE meeting, MDHE staff and the task force continued to work to resolve outstanding issues. The task force held its final in-person meeting on October 11 and reached tentative agreement on a set of nine recommendations for changes to the model. During November, MDHE staff finalized the content of a draft report of the task force and developed a preliminary technical manual describing the revised measures in sufficient detail to allow institutions to understand the mechanics of each measure. Those documents were distributed to the committee for a final review on November 22. The task force met by conference call on December 5 and gave final approval to the report and directed the report be delivered to the CBHE for consideration and action. A copy of the final report is attached to this agenda item.

Task Force Recommendations

While not comprehensive, the following narrative highlights several of the most crucial recommendations included in the task force final report.

Institutional Efficiency. In order to address the calls for greater accountability and to provide measures that demonstrate the continued focus on this issue by institutions, the task force determined the model should address the issue of institutional efficiency through a focus on administrative overhead. The task force recommendation is to incorporate a measure focused on the relationship between core operational expenditures and total expenditures. In addition, the four-year model will include a measure comparing changes in operational salary expenditures to changes in household income.

Affordability. Although not an area specifically identified in the charge to the task force, the importance of developing a measure to reflect changes in the ability of Missouri students and families to pay for higher education emerged during the task force deliberations. The task force recommendation is for the four-year model to incorporate a measure of affordability based on changes to adjusted tuition and fee revenue compared to changes in household income. For the community colleges, the related measure would compare in-district tuition and fees to district household income. Given the somewhat limited nature of this measure, the community colleges will continue to explore more comprehensive approaches to this issue. State Technical College of Missouri will include a measure similar to that used by the community colleges.

Peer Selection. The use of external benchmarking has been an integral part of the Missouri performance funding model. Concerns about the rigor and validity of this process were raised by the state auditor and legislative leaders. In response, particularly for the four-year institutions, the task force recommends a reduced reliance on this approach and revision of how peer groups are selected. The community college

sector will continue to use the National Community College Benchmarking Project for peer comparisons. The task force recommendation is that peer group selection for the public four-year institutions and State Technical College of Missouri be based on a centralized and uniform process administered by the MDHE.

Graduate Outcomes. The 2014 legislation that incorporated performance funding into state statutes also mandated the establishment of a measure relating to graduate outcomes. Over the past three years, considerable work has been accomplished to identify, structure, and pilot test how each sector would approach the development of this measure. Because the expected outcomes for graduates are substantially different by design, each sector has developed a somewhat different measure in this area. The task force confirmed the sector measures should be retained and focused its primary attention on how and when this measure should be fully incorporated into the model. The task force recommends implementation of this measure as part of the FY 2019 budget process. However, because of the timing of final data collection by the four-year institutions, the final data analysis will need to be delayed until January 2018. The second part of this discussion related to determining how successful performance would be determined. The task force recommendation is to require a minimum response rate of 60 percent in order to participate in this measure. Institutions that cannot confirm responses from at least 60 percent of the graduates for an academic year would not be eligible for funding through this measure. Success on the measure is established by year over year improvement or a rate in excess of 75 percent (sustained excellence). The thresholds and success options will be reevaluated once data for a sufficient number of years are available.

Data Verification. The validity of the data used to determine success on a measure is central to maintaining trust that the model is a reliable gauge of institutional performance. Concerns about this issue were raised as part of the 2017 audit of the performance funding model. In order to better ensure confidence in the supporting data, the task force recommends the MDHE establish a minimum four year institutional record retention policy. The task force also recommended the implementation of a periodic desk audit process to check data validity on a routine and ongoing basis.

Measure Selection. Missouri has a wide variety of public colleges and universities. In order to provide some flexibility to reflect that diversity, the existing model has included the ability of institutions to select measures, particularly in the four-year sector. However, this approach raised concerns from several stakeholders about the ability of institutions to avoid hard choices through the selection process. In response, the task force recommends discontinuing measure selection within the model. The only exception is the four-year student assessment measure. Within that measure, MDHE will work with each institution to select one of three measures, with a change of that selection only possible as part of the general review/revision process.

Weighting. Weighting for certain student and program characteristics is a method commonly used to encourage outcomes identified as high priorities. The current funding model includes a weighting factor for science, technology, engineering and mathematics (STEM) and healthcare-related fields. However, it is clear that if the state is to reach its goal for a better educated workforce, we must enroll and graduate more individuals from underserved populations. Consequently, in addition to retaining the current weighting factors, the task force recommends an additional weighting of 50 percent for Pell Grant-eligible students.

Implementation

One important aspect of the revised model concerns what extent the recommended changes will be implemented for the FY 2019 budget process. The changes in some areas are substantial and there has been limited opportunity to fully evaluate some of the newer measures. Members of the task force and MDHE staff discussed options for implementation including delaying the implementation of any changes until the FY 2020 budget cycle, a phased implementation incorporating a mix of new and existing measures, and full implementation for FY 2019.

Ultimately, the department is responsible for making a recommendation to the Governor and the General Assembly regarding the timing of implementation of the revised model. MDHE staff believes the best approach is to implement all of the changes for the FY 2019 budget cycle. Attempting to use a phased

approach, which would result in a hybrid of the old and new models, would likely cause considerable confusion and weaken the comprehensive approach the revised model attempts to achieve. Additionally, implementation prior to the 2018 legislative session will demonstrate the good faith effort made by the MDHE and public colleges and universities to be responsive to the concerns and questions expressed by the General Assembly and the Governor's office.

Conclusion

The open and collaborative process used to review and recommend changes to the current model incorporates several of the performance funding design tips highlighted in materials published by the [National Conference of State Legislatures](#) including:

- Allowing postsecondary institutions with different missions to be measured by different standards;
- Engaging all stakeholders in the design;
- Keeping the funding formula simple, with unambiguous metrics, so expectations are clear to everyone;
- Including a measure to reward colleges that graduate low-income, minority and adult students;
- Aligning the funding formula with state economic and workforce needs; and
- Preserving academic quality by incorporating student learning measurements.

No performance funding system is perfect, including the revised model proposed in this item. However, all models seek to strike an appropriate balance across measures, goals, and institutional sectors. The work of the task force to develop and bring forward these revisions has been characterized by deep and professional engagement, dedication to improving the model, and a desire to develop a performance funding model that reflects the unique circumstances of Missouri public higher education. The result is an improved model that reflects input from all stakeholders and focuses the model on the important institutional and state goals for improving higher education in Missouri.

STATUTORY REFERENCE

Section 163.191, RSMo – State Aid to Community Colleges
Section 173.1006, RSMo – Performance Measures to be Utilized
Section 173.1540, RSMo – Annual Budget Requests
Section 178.638, RSMo – State Technical College of Missouri

RECOMMENDED ACTION

Staff recommends the CBHE thank the members of the Performance Funding Task Force for their diligent work to develop the attached final report.

Staff also recommends the CBHE accept the final report of the task force and direct MDHE staff to implement the recommended changes for incorporation as part of the FY 2019 budget process.

ATTACHMENT(S)

Attachment A: Task Force Membership Roster
Attachment B: Charge to the Task Force
Attachment C: Final Report of the Performance Funding Task Force

2017 Performance Funding Task Force Membership Roster

Four-year Institutions

Kathy Mangels – Vice President, Finance and Administration, Southeast Missouri State University

Brad Hodson – Executive Vice President, Missouri Southern State University

Clif Smart – President, Missouri State University

Bob Vartabedian – President, Missouri Western State University

Cuba Plain – Assistant Vice President, Budget Planning and Development University of Missouri System

Paul Wagner – Executive Director, Council on Public Higher Education

Community Colleges

Hal Higdon – Chancellor, Ozarks Technical Community College

Jon Bauer – President, East Central College

Lenny Klaver – President, North Central Missouri College

Shelley Kneuvean – Vice Chancellor, Financial and Administrative Services, Metropolitan Community College

Kelli Burns – Director, Institutional Research and Planning, St. Louis Community College

Brian Milner – President and CEO, Missouri Community College Association

State Technical College

Rick Mihalevich – Director of Institutional Research and Planning

Legislative Staff

Trevor Foley – Senate Appropriations Staff

Kate Hangle – House Appropriations Staff

Kevin Gwaltney – Executive Director, Joint Committee on Education

Governor's Office

Drew Erdmann – Chief Operating Officer



MEMORANDUM

TO: Performance Funding Task Force Members

FROM: Zora Mulligan
Commissioner of Higher Education

RE: Draft Task Force Charge

DATE: May 30, 2017

Thank you for agreeing to serve on the Performance Funding Task Force. I appreciate the time you will dedicate to this important task. Deputy Commissioner Leroy Wade will review the following draft charge during the May 31 task force conference call. Your feedback is welcome. I will present a final charge to the Coordinating Board at their June 8, 2017, meeting.

As you are likely aware, questions have been raised about the credibility of our existing performance funding model. A [report](#) from the state auditor noted that institutions have considerable latitude in selecting and changing the peer institutions to which they are compared. Conversations with legislators suggest skepticism about the model's definitions of successful performance and about reliance on data about the performance of a narrow subset of students – those enrolled for the first time and on a full-time basis – and a belief that graduate outcomes is an essential component of the model. Finally, Governor Greitens has expressed his intention to make individual recommendations about institutions' core operating appropriations and to use data about each institution's performance to make those decisions.

Together, these factors establish a compelling rationale for the Department of Higher Education to convene this task force. I ask that you consider the following issues and make recommendations regarding each:

1. Reward collaboration.
2. Develop a credible and comprehensive measure or index of institutional efficiency.
3. Make the peer selection process credible, transparent, and robust.
4. Evaluate the existing approach to measuring graduate outcomes and determine whether changes are warranted.
5. Evaluate the existing practice of allowing institutions to choose among measures.

6. Consider alternatives or additions to first-time, full-time data to ensure that all students are counted and all institutions' performance is properly considered.
7. Identify elements in the model for which weighting can be applied to encourage alignment with the state's postsecondary education goals.
8. Review the threshold for "sustained excellence," which is the shorthand in the existing model for a level of performance that is sufficiently high that improvement is not required to "succeed" on the measure.
9. Establish a floor for "successful performance."
10. Develop protocol for ensuring that data can be verified.
11. Other issues identified by the task force.

I ask that you complete your work in time to present recommendations at the September 14, 2017, Coordinating Board meeting, and I thank you again for your service.

CBHE Performance Funding Task Force Final Report

(Adopted by the task force on December 5, 2017)

Allocating some state funds to higher education institutions based on performance has a long history in the state. Missouri was an early entrant into performance funding, developing the “Funding for Results” initiative in the early 1990s. From FY 1994 through FY 2001, more than \$66 million in state funding was appropriated through that initiative. With the economic downturn of the early 2000s, funding for the program was eliminated and the initiative was abandoned. The Coordinating Board for Higher Education adopted the basic structure of the current funding model in April of 2012, based on recommendations from a task force of representatives from public higher education institutions, legislative staff, the governor’s office and the Missouri Department of Higher Education. Funds were first allocated using the model in Fiscal Year 2014.

During the 2014 legislative session, performance funding was incorporated into state statute. The legislation also called for the establishment of an additional performance measure based on “student job placement in a field or position associated with the student’s degree level and pursuit of a graduate degree.” In order to implement the statutory requirements and to make necessary adjustments to the existing model, a second performance funding task force, with similar membership as the original, was impaneled in 2014. That task force recommended revisions that were adopted by the Coordinating Board in November and December of 2014. In 2015, in response to major changes in the delivery of developmental education by Missouri community colleges, new measures of student success were adopted for that sector.

As directed by Coordinating Board policy, the Missouri Department of Higher Education reviews the performance funding model every three years. While this regular review was already scheduled for 2017, additional issues raised by the state auditor, legislators and other policy makers prompted a more in-depth review of the model. In May, Commissioner of Higher Education Zora Mulligan appointed a task force to undertake this effort. The Commissioner charged the task force with reviewing the current model and recommending revisions that would improve and strengthen the model. The task force met during the summer and fall of 2017 to work through issues with the current model and to update the structure in response to questions and concerns from constituents and to maintain currency with existing best practices for performance funding models. This report, which is structured around the charge issued by the Commissioner, represents the final report of the task force.

1. Develop a credible and comprehensive measure or index of institutional efficiency.

As various higher education constituencies call for greater accountability, it has become imperative that public higher education identify measures that will help demonstrate the efficiency of public institutions and document improvement in this area. While efficiency can be defined differently for different sectors of public higher education, the task force determined it was important for all sectors to address this issue and the resulting measures should be as similar as possible in order to ensure an appropriate level of simplicity and transparency. After consideration of numerous options, including the development of an index that would coalesce multiple measures into a single item, the task force determined the basic issue with efficiency is best represented by a focus on administrative overhead.

RECOMMENDATION: The task force recommends the model incorporate efficiency measures focused on the relationship between expenditures on core operations, as defined by each sector, and total expenditures and/or a measure comparing changes in salary expenditures classified as operational in purpose to changes in household income as identified in the sector summary document included as an appendix to this report.

2. Affordability.

Over the past two decades, the issue of the affordability of higher education has become a central focus in discussions about the value of and the support for higher education. In Missouri, 2007 was a

watershed year in this regard, due to the passage of Senate Bill 389, which linked tuition increases at the public universities and State Technical College to the Consumer Price Index (CPI). Since that time, Missouri institutions have led the nation in holding down increases in tuition and general fees. However, the issue of affordability from the perspective of citizens has continued to play a central role in higher education policy discussions. In addition, a recent review by the Missouri state auditor raised concerns about the growth of fees not covered by the legislation and the impact of those fees on affordability.

Although not an item in the task force charge, the task force determined an affordability measure should be added to the performance funding model. As options for this measure were considered, a major factor in reaching a decision was minimizing the potential that such a measure would create unintended incentives and ensuring the result would provide the best possible reflection of efforts by institutions to limit cost increases for students. Additionally, addressing the issue of growth in fees not covered by the statutory limits enacted as part of SB 389. After reviewing numerous options for addressing this issue, the task force determined a measure linking tuition and fees, with those fees to include all fees charged of students, to household income was the best approach.

RECOMMENDATION: The task force recommends the four-year model incorporate a measure of affordability based on changes to adjusted tuition and fee revenue compared to changes in household income as identified in the sector summary document included as an appendix to this report. The task force also recommends the community college sector incorporate a measure comparing in-district tuition and fees to district household income, with the understanding to continue to explore other measures in this area. The task force recommends State Technical College model incorporate a measure similar to that used by the community college sector.

3. Make the peer selection process credible, transparent, and robust.

From its inception, the Missouri performance funding model has relied heavily on external benchmarking in order to provide comparison data and to establish thresholds for “sustained excellence.” This concept of “sustained excellence” acknowledges that institutions that have achieved a high level of performance on a particular measure have little room for improvement but should be encouraged to sustain this high level over time. Performance in the top third of the relevant comparator group has been the threshold for sustained excellence for some measures.

The community college sector has primarily relied on the National Community College Benchmarking Project to provide a set of comparison institutions for this purpose. For the four-year institutions and State Technical College, no such independently established comparison group exists. As a result, the MDHE established a process by which institutions identified a group of institutions to which they could be compared. Each institution delineated a group of comparator institutions whose performance on a particular measure established an external benchmark for sustained excellence. In nearly all cases, the peer groups used for performance funding were established for internal institutional purposes prior to the development of the performance funding model.

While there was no direct evidence the peer selection process was being manipulated, concerns about the possibility of such manipulation were raised in the review of the performance funding model by the state auditor and in discussions with legislative leaders. In response, the task force recommends a reduction in the number of measures that include benchmarking or “sustained excellence” thresholds. While most measures have previously utilized this mechanism, peer benchmarking has been substantially reduced. The task force also recommends the model discontinue the current approach, which uses institutionally-selected peer groups, and replace it with a centralized, MDHE administered process for peer selection.

RECOMMENDATION: The task force recommends the model continue to use the National Community College Benchmarking Project for community college peer comparisons. The task force further recommends peer group selection for the public four-year institutions and State Technical College be performed by the MDHE based on a centralized and uniform process.

4. Evaluate the existing approach to measuring graduate outcomes and determine whether changes are warranted.

The statute codifying the basic structure of the performance funding model includes a measure relating to graduate outcomes. The statute provides that institutions “shall adopt, in collaboration with the coordinating board for higher education, an additional institutional performance measure to measure student job placement in a field or position associated with the student's degree level and pursuit of a graduate degree.” The initial determination of how to implement this provision began during the 2014 review cycle and was discussed extensively by the related task force. The current process grew out of those discussions and has resulted in one year of pilot data being collected. By design, once sufficient data are available, this additional measure can be fully incorporated into the model.

Each sector has developed a different approach based on its unique circumstances. For the four-year sector, institutions have begun administering the “First Destination Survey,” which was developed by the National Association of Colleges and Employers. This nationally administered test is intended to capture information regarding whether new college graduates are employed within six months of graduation. For the community colleges, a combination of data sources are used. Data for students graduating from identified career and technical programs will be collected using the existing 180 day follow up process required by the federal Perkins program. Data for students not a part of that process will be collected from state wage and salary information and from the National Student Clearinghouse. Once integrated, these sources will include data for nearly all of the individuals completing degree and certificate programs at these institutions. State Technical College will continue to use the standard 180 day follow-up survey as their data source for this measure.

RECOMMENDATION: The task force recommends the model retain the existing data collection processes for each sector. It is further recommended that implementation of this measure begin with the FY 2019 budget process, with a delay of final data analysis until January 2018 in order to provide sufficient time for institutional reporting of full year data for the 2016-2017 academic year. It is further recommended that a response rate minimum be established at 60 percent in order to participate in this measure, with success to be determined by year over year improvement in the career outcome rate or a rate in excess of 75 percent (sustained excellence). Failure to meet or exceed the minimum response rate means the institution cannot satisfy this measure regardless of the level of performance. It is further recommended that successful placement be defined to exclude part-time employment and that thresholds be reevaluated once a sufficient number of data reporting years (at least four full years) have been accumulated.

5. Develop protocol for ensuring that data can be verified.

The 2017 audit of the performance funding model raised concerns about the accuracy of the data the MDHE relies upon to determine institutional satisfaction of the performance criteria. That report stated that “the MDHE should ensure the summarized PF [performance funding] data used for determining success on the measures are supported by detailed records. The MDHE should obtain detailed student-level supporting records from the institutions and use those records to verify the PF data. The MDHE should follow up on any significant differences between the PF data and totals of the details.”

In response, MDHE staff is developing a process by which institutions will maintain more complete records that support the reported data and a data retention policy for those records. In addition, a desk audit process will be implemented in order to provide an additional layer of verification for the information. The task force reviewed this proposal and is recommending its implementation.

RECOMMENDATION: The task force recommends the MDHE establish a minimum four year record retention policy that institutions must follow with regard to the performance funding model. The types of records required to be maintained under this policy will be defined by the MDHE. The task force also

recommends the MDHE implement a periodic desk audit process to be used to check data validity on a routine and ongoing basis.

6. Evaluate the existing practice of allowing institutions to choose among measures.

In a reflection of the varied missions of four-year institutions, the original funding model provided institutions with a menu of measures within broad goal categories. For example, within the category of degree attainment, institutions could choose either total degrees awarded (weighted for STEM and health awards) or six-year cohort graduation rates. Although this menu approach provided flexibility for institutions to customize their measures, it also resulted in questions and concerns from the state auditor and legislative leaders.

RECOMMENDATION: The task force recommends measures with menu options be discontinued with the exception of the four-year student assessment measure (assessment of general education, major field assessment, and professional/occupational licensure). The task force also recommends the MDHE work with each institution to select one of the three measures, typically based on the institution's historical choice, and the selection should only be changed as part of the general review/revision process.

7. Consider alternatives or additions to first-time, full-time data to ensure that all students are counted and all institutions' performance is properly considered.

As the demographic make-up and attendance patterns of students have changed, more and more students no longer fit the profile of a "traditional" college student. The number of students that attend part-time, that work during their studies, and that defer their education for various reasons has increased substantially. For many institutions, particularly those that are open enrollment and serve financially needy students, part-time attendance is the pattern for the majority of their students. However, since much of the performance data is based on IPEDS which is currently limited to data about first-time, full-time students, several institutions raised concerns about the validity of measuring and reporting performance when the underlying data excluded a large portion or, in some cases, the majority of the students attending the institution.

In response, the revised measures recommended by the task force largely move away from first-time, full-time data and instead base student measures on full-time equivalent (FTE) enrollment, which includes student participation regardless of whether the student is attending full-time or part-time.

RECOMMENDATION: The task force recommends the model replace, to the extent currently feasible, measures based solely on first-time, full-time data with measures that include other attendance statuses. The task force further recommends community colleges explore the possibility of including an FTE-based measure of completion but in the interim retain the existing completion rate measure (which includes transfers). State Technical College will retain a cohort-based completion rate measure.

8. Identify elements in the model for which weighting can be applied to encourage alignment with the state's postsecondary education goals.

Weighting for certain student and program characteristics is a method commonly used in performance funding models and other frameworks for incentivizing outcomes that have been identified as high priorities. For example, in order to recognize their growing importance in the workforce, the current performance funding model incorporates a special weighting factor for STEM, health and allied health completions into any existing measure where applicable and appropriate, including measures that involve actual degree completions and total degree production. Each graduate in any of these fields is given an additional 50 percent weight for the corresponding measure.

While this arrangement addresses identified workforce needs, the current model does not address the growing appreciation for the need to enroll and graduate more underserved populations. The CBHE attainment goal of 60 percent of the working population with a degree or high quality credential

can only be achieved if we are successful in this endeavor. Performance funding models in several other states incorporate various types of weighting approaches to address this issue, including financial need, ethnicity, and first-generation status. Because Pell Grant eligibility is widely accepted as a proxy for these characteristics, the task force identified students in this category for additional weighting. Although the task force also discussed the value of adding a weighting factor for teacher education graduates, it was determined this issue would need to be addressed in a future update of the model.

RECOMMENDATION: The task force recommends the model retain the current weighting pertaining to student completion for students enrolled in identified science, technology, engineering and mathematics (STEM) and healthcare related programs. The task force further recommends an additional weighting of 50 percent be included in student completion measures for individuals meeting the eligibility requirements for the Pell Grant program.

9. Reward collaboration.

Data reported to IPEDS have formed the basis for several measures used in the performance funding model. In this context, in order to maintain the connection to IPEDS data reporting information and definitions, graduation rates and the number of graduates were reported by the institution issuing the related diploma. For most circumstances, this is an appropriate reporting method. However, for programs involving two or more institutions delivering content or support services, this approach meant only one institution could report the graduates while the remaining partners were left with what appeared to be unsuccessful students.

As the Coordinating Board and the department continue to promote the establishment of collaborative programs among institutions, it has become apparent this policy is an impediment to further collaboration.

RECOMMENDATION: The task force recommends the Department of Higher Education develop criteria and procedures to permit all institutions in a CBHE/MDHE recognized cooperative/collaborative program to report graduates to the MDHE for purposes of performance funding measures. Those criteria should include that a written agreement to deliver the program has been signed by officials from all participating institutions and that at least 25 percent of the program content or support be offered or funded by any collaborating partner in order to participate.

10. Review the threshold for “sustained excellence,” which is the shorthand in the existing model for a level of performance that is sufficiently high that improvement is not required to “succeed” on the measure.

One of the three options for demonstrating successful performance in the current model is sustained excellence. This approach compares current performance to an established benchmark rather than improvement over a previous period. It is designed to acknowledge that institutions that have achieved a level of excellence on a particular measure may have little room for improvement but should be encouraged to sustain this high level over time. Performance in the top third of the relevant comparator group is the threshold for sustained excellence for most measures. In some instances, sustained excellence is based on a set percentage, such as a licensure pass rate of 90 percent or above, or on the institution’s admissions selectivity category. Because external benchmarks are not always available, this component is not used for some measures.

The task force discussed the appropriateness of these existing thresholds and whether they should be adjusted to ensure sustained excellence does not become a “safe zone” for a large number of institutions. Review by the MDHE staff indicated no institution was heavily relying on this component for performance success. Where certain measures had a large number of institutions meeting success through this mechanism, staff determined the issue was with the measure rather than this process. Based on this conclusion and the belief by the task force that current thresholds continue to represent excellent performance, support for the current approach was reaffirmed and the task force

does not recommend change in this area. It should also be noted that the importance of this component has been reduced substantially for the four-year institutions in that many of the measures currently using this approach have been recommended for elimination.

RECOMMENDATION: The task force recommends no change for existing measures. The recommended threshold for a new measure is included in the section of this report describing that measure.

11. Establish a floor for “successful performance.”

Not only does Missouri public higher education contain a diverse set of institutions but their performance on some measures covers a very wide range. For example, graduation rates at Missouri public institutions range from below 20 percent to in excess of 70 percent. Given this variation, concerns have been raised about rewarding performance when the base rate is perceived to be well below expected performance levels.

Discussion by the task force focused on the underlying intent of performance funding being to foster improved outcomes. While each institution serves a unique population and faces specific challenges in finding success with those populations, improved performance is the expected outcome regardless of the initial starting point. Additionally, excluding institutions based on comparisons to other institutions or an arbitrary threshold would undermine the model’s ability to serve as a broad-based incentive for statewide change. Consequently, the task force does not recommend the establishment of a performance floor for the performance funding model.

RECOMMENDATION: The task force recommends no change in this area.

APPENDIX

Each sector model includes six individual measures organized into three general goal areas.

FOUR-YEAR INSTITUTION MEASURES

- Student Success and Progress
 - Completions per FTE (weighted)
 - Percent of students meeting/exceeding assessment performance threshold
- Efficiency and Affordability
 - Operating salaries/FTE compared to MHI (change)
 - Core expenditures as percent of total expenditures
 - Net tuition and fee revenue from MO UG residents per MO UG FTE compared to statewide MHI (change)
- Graduate Outcomes
 - First Destination Survey – w/in 6 months of graduation

TWO-YEAR INSTITUTION MEASURES

- Student Success and Progress
 - Three year completion rate (including transfers)
 - Percent attempted credit hours successfully completed
 - Percent career and technical education graduates passing licensure/certification exam
- Efficiency and Affordability
 - Non-core expenditures (research, public service, and institutional support) compared to total expenditures
 - In-district tuition and fees as a percent of in-district MHI
- Graduate Outcomes
 - Percent total degree/certificate completers employed or continuing education

STATE TECHNICAL COLLEGE OF MISSOURI MEASURES

- Student Success and Progress
 - Three year completion rate
 - Completions per FTE
 - Percent of students successful on major field assessment
- Efficiency and Affordability
 - Core expenditures compared to total expenditures
 - Tuition and fees as percent of statewide MHI
- Graduate Outcomes
 - Percent of graduates employed at 180 days