



Tab H Report on 2017 Institutional Performance Funding Measures

Coordinating Board for Higher Education
March 8, 2018

BACKGROUND

Following adoption of a revised performance funding framework at the December Coordinating Board for Higher Education (CBHE) meeting, Missouri Department of Higher Education (MDHE) staff worked with the institutions to collect and summarize data for the included measures.

As was the case prior to adoption of the new framework, performance funding measures can be categorized under key questions of great interest to policymakers and other stakeholders:

- Are students completing certificates and degrees?
- Are students mastering what they study?
- Are graduates getting jobs or continuing their education?
- Are college costs affordable?
- Are Missouri's colleges and universities spending funds judiciously?

Across these five questions, sectors, through a performance funding task force that worked through much of 2017, each identified six measures that would illustrate institutional progress. There are some holdover measures from the prior framework, and some differentiation across sectors, although "menus" as they were present prior to the fall 2017 / budget FY 2019 budget cycle have been eliminated. The final measures were carefully selected to respond to feedback and criticism from the Governor's office, legislators, the State Auditor, and others. A formal summary and revised technical manual were also published and are available at <https://dhe.mo.gov/PerformanceFunding.php>.

CURRENT STATUS

MDHE and institutional staff worked together to collect and summarize data for the new framework. Results are summarized in Attachment A, which has previously been shared with the institutions and key legislators. The institutions were generally successful either via improvement or in comparison to sustained excellence benchmarks. Where sustained excellence benchmarks were set by comparison to institutional peers, those peers are now either broad based (e.g. participating institutions in the National Community College Benchmark Project or public two-year institutions in IPEDS), or selected by MDHE staff using preset criteria. Measures that were not made did tend to be clustered – three two-year institutions did not make the three-year graduate/transfer measure, and three did not make the course completion measure. Three four-year institutions did not make a new measure of change in salary expenditures compared to median household income.

The Coordinating Board's FY 2019 budget request had also included a mechanism for distributing 10 percent of institutions' core appropriations according to success on performance measures, rather than only applying performance funding to new money, which had been the case in the past. A percentage of this 10 percent of core appropriations equal to the percent of measures not made would be withheld and placed in a "performance improvement fund," which the MDHE would administer and target to institutions that might struggle chronically with certain measures.

Attachment A also summarizes the portion of each institution's FY 2019 budget request which would be placed in this fund, according to the institution's relative success in meeting its performance funding measures. The improvement fund was part of the Governor's budget request, but to date, key legislators have shown little interest in it, especially in the context of other core cuts.

Follow-up conversations with legislators and some institution representatives have suggested that some elements of the model approved in December be postponed or exceptions made. Specifically, some legislators have suggested postponing the salary measure and the non-core expenditures as a percent of total expenditures measure, and an institution has asked that year-over-year improvement be considered a success rather than improvement in the three-year rolling average for the completions per FTE measure.

NEXT STEPS

MDHE staff will continue to respond to questions and information requests regarding the performance funding framework, particularly as institutional budgets progress through the 2017 General Assembly. The legislature of course has the authority to use the performance funding measures as they see fit to inform the FY 2019 budget, but MDHE staff believe the measures are an important demonstration of accountability, and that performance funding should continue to be an important element of higher education budget requests.

Looking beyond the legislative session, MDHE staff and the institutions are committed to strengthening data verification, and will work together in the coming year to implement additional processes to increase confidence in the data. There is also agreement that programs identified as STEM for weighting purposes should be re-evaluated, and that weighting could potentially also include programs that connect to other workforce needs and programs addressing non-STEM teacher certification shortages.

RECOMMENDATION

Staff will continue discussions with institutions and board members. A final recommendation regarding any measures to be postponed will be presented after the March 7, 2018, work session.

ATTACHMENT

- 2017 Performance Measure Results