Good afternoon.

Thank you for joining your colleagues and me this afternoon. I also would like to thank all of those who shared their expertise and insights at today's summit, including State Budget Director, Linda Luebbering; Brenda Norman Albright; Jane Wellman, and Deputy Commissioner of Higher Education, Paul Wagner.

One year ago, I convened the first Summit on Higher Education, at which I laid out my agenda for higher education in our state.

I invited the presidents, chancellors, and provosts of all our public two-year and four-year institutions to the summit, as well as their governing boards and the Coordinating Board for Higher Education.

Many of you were part of that group, which I charged to work toward four goals:

First: Increase the percentage of young Missourians who hold a college degree from the current level of 37 percent to 60 percent by 2020;

Second: Review **all** academic programs in order to discontinue or modify those that don't meet productivity thresholds, and build new programs that address labor market needs.

Third: Improve administrative efficiency and academic collaboration across the institutions, with special emphasis on technology-enabled course redesign; and

Fourth: Revise the higher education funding model, giving greater weight to mission and performance.

Today's Higher Education Summit will focus on the fourth goal: developing a performance funding model tailored to meet Missouri's need for a trained, educated workforce.

Before I begin that discussion, I'd like to take a few minutes to review the successes of the past year, and give you an update on education initiatives underway around the state.

The first-year results from that higher education agenda have been **substantial** and extremely positive.

Your students – and the state of Missouri as a whole – have been well-served by your commitment and hard work, starting with the first goal of boosting the number of young Missourians holding college degrees.

At a time when public and private universities all around us were increasing tuition by double digits, Missouri stood up for affordability and kept tuition flat for two years running.

And in response to this focus on affordability, enrollment in our public institutions has surged by more than 23,000 students over the past two academic years – hitting record highs at many schools.

Graduation numbers are up as well. Missouri graduated 2,065 more students in 2010 than in 2009.

And I'm happy to see that this focus on affordability continues. This fall, the median tuition increase at our four-year universities is **less than five percent.**

And our community colleges raised their in-district tuition by **no more than five dollars per credit hour**.

Missouri's two- and four-year institutions also are collaborating on another initiative to improve completion rates. Some of you are developing policy innovations and services intended to entice some of the 750,000 Missourians who have earned some college credits, but have still not earned a college credential, to return to college and complete their degrees.

Coupled with your continued discipline on tuition, I'm confident that we can make gains in completion over the next year.

It's no exaggeration to say that you have kept the dream of a college education a reality for tens of thousands of hard-working students and their families. On behalf of all them, thank for doing your job so well.

Our second goal was a systematic review of all academic programs at your institutions.

And after undergoing a statewide review of low-productivity programs, you voluntarily discontinued 118 majors, and are revamping dozens of others to increase their productivity.

This kind of process is seldom easy or pain-free. But you rolled up your sleeves, took out your scalpels and did what needed to be done with a minimum of fuss.

And our schools are healthier for it.

These decisions will free up limited school and state resources, and allow those funds to be invested more strategically in high-quality programs where there is need and demand.

Our third goal was increased cooperation and collaboration.

Last spring, Missouri competed for and won a $250,000 "Next Generation Learning Challenge" grant from the Bill & Melinda Gates Foundation and the William and Flora Hewlett Foundation.

This grant is being used to establish *The Missouri Learning Commons.* This innovative collaboration among all our state's four-year institutions will develop and share redesigns of thirteen large-enrollment undergraduate courses.

You may recall the excellent presentation on course redesign given at last year's higher education summit by Dr. Carol Twigg. Adapting some of the key elements of her pioneering work, the Missouri Learning Commons will develop a blueprint for course redesign that will improve student performance **and** bring substantial cost-savings.

The fourth goal in my agenda for higher education is the development of a performance funding model. As I said last year, your funding model must recalibrate the balance of state budget appropriations, tuition and cost reductions.

That will make your budgeting process less crisis-driven, and funding levels more predictable from year-to-year.

It's time to move aggressively toward that goal.

The current funding model is simply unsustainable; it only works now because it is being kept afloat on a sea of debt.

As we've seen, that didn't work so well for Wall Street.

That didn't work for the housing market.

And it won't work for higher education.

According to the Federal Reserve, student loan debt last year surpassed **credit card debt**. That's not only a heavy burden for students and families; it's a significant barrier to economic development.

We can't rebuild our economy when soaring tuition piles crushing debt onto the backs of college graduates. You can't afford to buy a car, or buy a house, or start a family if your job barely pays enough to cover your student loans and rent.

We need to get out ahead of the "education bubble," and change our funding model before it bursts – sending students in search of cheaper, but inferior, alternatives.

For the past three years, all across state government, we have been reducing costs, improving efficiency, and scrutinizing every penny we spend. We owe it to Missouri families, students and taxpayers to make sure they are getting a solid return on their investment – and that includes their investment in higher education.

At my direction, a higher education task force is now developing a performance funding model for Missouri. It will provide greater accountability with clear, measurable goals; standardized metrics; and a focus on results.

Performance funding must tie **new** state appropriations to an institution's performance. Performance would be measured by a school's ability to achieve clearly defined educational goals, preparing our young people for successful careers, and successful lives.

Currently, appropriations to Missouri's public colleges and universities are based solely on history.

Raises or cuts are made across-the-board, for the most part, without considering results such as student success; degree productivity; research discoveries; or other quantifiable measures of achievement.

Our current funding approach is disconnected from statewide goals and needs. It doesn't give policy makers – or the public – confidence that the money we invest in public higher education – which is about $800 million, or 10 percent of our general revenue budget for FY 12 – is being used in the most effective way possible.

That's about to change.

We need to move from a system of appropriating funds based on how much institutions have received in the past, to one driven principally by results.

We need an approach to higher education funding which ensures that our institutions focus on students' success; increases their productivity; assures the high quality of academic programs; and contains costs.

That is why I am calling on the performance funding task force to deliver its recommendations before the end of the year. That will allow the Coordinating

Board for Higher Education to submit its budget request for FY 13 and beyond with a performance-based model for **incremental** funding in place.

This model will align our funding decisions with state priorities for a well-educated work force, and reward institutions that achieve results that advance our priorities.

Let me be clear about what I believe the main principles of this model should include initially.

The performance funding formula should be the basis for allocating future funding **increments** to the institutions.

While there may be strategic initiatives from time-to-time, such as Caring for Missourians or Training for Tomorrow that compel special appropriations, any future increases to a school's core funding would come from application of the performance funding formula.

This performance funding formula should be straightforward and easy to understand. It should include a small number of clear, statewide goals for which **all** institutions are held accountable, and one performance goal specific to each institution.

Each of these goals must be quantifiable, and measured by annual performance indicators that make it clear whether the goal has been met or not.

Missouri's performance metrics should reflect the best practices for accountability set forth in national publications such as the National Governors Association's "Complete to Compete" initiative.

Our two-year and four-year colleges have different missions, and serve different types of students, whose preparation and aspiration vary widely. Those differences should be reflected in performance goals and metrics that take those variances into account.

Fiscal Year 2013 would serve as the baseline year for implementing the performance funding formula.
During FY13, the goals should be carefully defined and publicly presented, and the initial metrics selected and collected. In additional, institutional plans and strategies for enhancing performance should be developed, refined, or continued.

Starting the next year, increases in state appropriations for higher education institutions would be apportioned to each institution based on the number of performance goals it meets.

For example, if there were a five percent increase in state appropriations for higher education, a school that met 100 percent of its performance goals would receive the full five percent increase.

But a school that met only 60 percent of its goals would receive just 60 percent of the appropriation – in this case, a three percent increase.

I expect the **statewide goals** to address the most pressing needs for the state's growth in social capital and economic development.

These should include: student success and progress; degree completion; learning quality; and affordability.

- **Student success and progress** could be measured by course completion; success in remedial courses; year-to-year retention rates; or transfers from 2-year to 4-year institutions.
- **Degree attainment** could be measured by certificate and degree completion per 100 full-time students; or by certificates and degrees completed per $100,000 of state appropriations and net tuition revenue.
- **Quality of student learning** should be measured by nationally normed assessments of general knowledge and skills, student engagement, or licensure/certification exams.
- And **affordability** could be measured by increases in undergraduate resident tuition. Institutions that keep their annual tuition increases at or below the annual increases in the consumer price index should be rewarded through the appropriation process.

The institution-specific goals also should address an outcome that each school has identified as important, reflecting its mission, location or strategic plan.

Depending on the institution, such goals might include: an increase in STEM or Health Care graduates; greater research achievements; narrowing the achievement gaps among different groups of students; or increased success with remediation.

The Coordinating Board for Higher Education would determine final approval of each institutional goal and the metric associated with it.

(*Pause)*

In conclusion, I'd like to again thank each of you for your dedication to this higher education agenda.

Based on the substantial progress you've made in the past year, I know we can continue to make progress in the months to come.

Quite frankly, we have to.

Because, as you and I know, Missouri can't succeed unless our institutions of higher education succeed.

There is no other investment that will have as great an impact on the future of our nation, the economy of our state, and the quality of life for all Missourians as our investment in higher education.

The correlation between an individual's education level and their earning potential has long been clear.

It's also true that states with a higher percentage of college-educated residents have lower unemployment rates. And access to a skilled, well-educated workforce is often **the determining factor** in a business's decision about where to build, relocate, or expand.

We've got to make sure that our schools are providing the education our students need today to compete for the best jobs of tomorrow.

We need to train a workforce that is second-to-none, ready to step into high-tech careers of the future – from advanced manufacturing to clean energy to biotechnology.

The future of your institutions, the success of our young people, and the prosperity of our state are intertwined.

Working together, we will create a firmer foundation for higher education, a bright future for all students, and a vibrant economy for generations to come.

Thank you.

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