

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.

COPHE 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

COMMUNITY COLLEGE 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 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