

Performance Funding Model Narrative Summary

12/31/2014

1. Each campus is eligible to receive a share of performance funding based on its three-year resident FTE average (FY13-15).
2. Each sector (doctoral, four-year, and two-year) has a unique set of metrics. All campuses share two metrics – retention and undergraduate degrees awarded. The other metrics allow for mission differentiation.

Metric	Doctoral	4-year	2-year
Undergraduate Degrees & Certificates Awarded	X	X	X
Retention Rate	X	X	X
Early College Enrollment			X
Graduate Degrees & Certificates	X		
Research Expenditures in \$100,000	X		
2-year College Menu (choose 2)			X
Transfer to MUS 4-year			
Success in Developmental Education			
Momentum Points - Credit Accumulation			
Licensure/National Exam Pass Rate			

3. The metrics are measured annually, with performance funding allocated on the basis of the most recently available data when the model is run in Spring compared to the prior three year average. The metrics are then indexed to a standard scale so that they can be appropriately weighted and combined to yield an overall score centered on 1000. Scores above 1000 indicate growth, scores below 1000 indicate decline, and a score of 1000 indicates no overall change from the prior three year average.
4. To mitigate concerns about neglecting under-represented groups in order to pursue growth, retention and completion of students who are Pell recipients, non-traditional age, American Indian/Alaska Native, and veterans, are counted in a bonus calculation similar to the overall index above. If the bonus increases over the prior three-year average, the institution can add the increase in points to their overall score.
5. To receive the full performance funding allocation established in 1 above, the campus must meet an established growth target. If the campus does not hit the growth target, they do not get full funding.
6. Because there is natural random variation in the metrics, a campus’s observed score may vary over time by chance and not because of systematic efforts on the university’s part. To account for random variation without unduly punishing a campus, there is a transitional-loss zone based on the standard deviation of the overall score (including the bonus) over the last five years. Campuses with little natural variation will have smaller standard deviations, and those that fluctuate widely year to year will have larger standard deviations. In all cases, movement outside the zone will more likely reflect systematic change, rather than the random fluctuations of the observed data.

7. Campuses that fall below the growth target but stay within the transitional-loss zone will receive a portion of the eligible funding amount, pro-rated for their proximity to the growth target.
8. If a campus falls short of its target in the first year of the biennium, it has the opportunity to earn back those funds by making gains in year two. Any funds left after year two of the biennium, the residual, will be swept into a Board-approved scholarship reserve. Those funds would be allocated through a process to be determined as state need-based aid to resident students, in support of retention and degree attainment.
 - a. Alternative: in year two, any remaining residual may be swept into a new Board-approved performance funding reserve at the Board's discretion. Campuses may be eligible to earn back shortfalls from year two in the first year of the following biennium.
 - b. Under this alternative, any funds remaining after two years, regardless of the biennial cycle, would be swept into the scholarship reserve as above.
9. The model will be assessed every biennium and revised if necessary to address changes in the strategic priorities of the Board, impacts of the environment, and newly measurable metrics that address Board priorities.