

Performance Funding Taskforce

Report and Recommendations

Draft Copy for Board of Regents' Consideration
May 23, 2013

Performance Funding Taskforce (PFT)

Small taskforce, appointed by the Commissioner of Higher Education to accomplish the following:

GOAL: Develop a performance funding framework for allocating half of the present law adjustment (roughly \$7.5M of the \$15M in present law) in FY 15 (an amount equal to 5% of the total state appropriation) .

EXPECTATIONS: The initial model designed for FY15 will help facilitate the University System's *completion agenda* through the measurement of performance in one or two metrics aimed at driving improvement in college completion. The model will also contain an *allocation methodology* for distributing the \$7.5M in performance funds to campuses that demonstrate progress.

TIMELINE: The Taskforce will make a recommendation for the Board of Regents to consider at the May 23, 2013 BOR meeting.

PFT Topic Areas

The Taskforce addressed the following points:

- ❖ **Best Practices & Principles:** Reviewed best practices in performance funding and identified important attributes to consider in the MUS model
- ❖ **Short-term vs. Long-term:** Developed specific metrics and allocation method for the short-term (FY 15 model), recorded issues and ideas to be considered in long-term process
- ❖ **Progress & Outcome Metrics:** Identified metrics to be including in FY 15 (short-term) model
- ❖ **Allocation Methodology:** Developed an allocation methodology based on progress in selected metrics for FY 15 model
- ❖ **Issues & Ideas:** Identified some key issues and ideas to be considered in development of long-term process
- ❖ **Communications:** Reviewed and recommended approaches for engaging and communicating with faculty and staff

Best Practices & Principles

The Taskforce identified the following points as important attributes to consider in the MUS model:

Ensure Quality. Any performance model must reinforce the importance of academic quality at all MUS institutions. Maintaining excellence in all we do is the best strategy to help students succeed.

Focus performance funding on obtaining a state-wide goal. A national goal has been set by the President and leading higher education advocacy groups to improve the competitiveness of the US by increasing the percentage of the population with a higher education credential from 40% to 60%. Governor Bullock in his State of the State speech committed Montana to this same goal.

Construct performance metrics broadly. The current national focus is on education attainment of the population and the associated encouragement of institutions to increase the numbers of degrees and employer-recognized certificates produced.

Design a model that promotes mission differentiation. Use different metrics for different types of institutions. Research universities might incorporate metrics related to increasing research activity and doctoral degrees, regional four-year campuses might include metrics focused on increasing masters and baccalaureate degrees, and two-year campuses might include metrics related to transferability, remediation, or technical skill certificates/assessments. *{the Taskforce agreed that this is important item, but one best suited for the more complex, long-term approach}*

Reward progress and continuous improvement. Campuses will be measured against their own individual progress, not in comparison to other campuses. An emphasis should be placed on continuous improvement instead of obtaining specific targets.

Limit the number of outcomes to be rewarded. Resist developing an ever-expanding complex list of performance variables. Develop a small set of clear, unambiguous metrics that focus attention on key state priorities.

Include a stop-loss mechanism. Design a model that does not jeopardize the stability of institutions that fail to make progress.

Short-term vs. Long-term

The Taskforce recognized and discussed the basic attributes for:

Short-term Process

- Primary focus of the Taskforce
- One or two metrics aimed at meeting the requirements of the College Affordability Plan addendum (focus on Completion Agenda) see Attachment 2
- Keep it simple
- Timeline: 1) BOR approval May 2013; 2) measure outcomes in FY14; 3) distribute performance funds in FY 15

Long-term Process

- Broader development of the performance model allowing for full participation by MUS faculty and staff
- Engage in development of long-term model in FY14 for potential allocation of funds in FY16 and FY17

Progress & Outcome Metrics

The Taskforce recommends the following metrics:

Undergraduate Completions

The annual number of undergraduate degrees and certificates awarded. Includes one-year certificates (certificates of applied science) through baccalaureate degrees. Unduplicated counts within academic years (academic year = summer, fall, spring). FY 15 Model, use 2012-13 completions

Retention Rates

The percentage of 1st-time, full-time freshmen returning for a second year of enrollment in the MUS. This metric includes the percentage of students returning to the same institution they entered plus the percentage returning to any other institution within the MUS. (also includes one-year certificates completers as retained); FY 15 Model, use Fall 2012 cohort – returning Fall 2013

Allocation Methodology

The Taskforce recommends an Allocation Methodology with the following basic attributes: (see Attachment 2 for detailed model and mechanics)

- 1) Progress in each metric is defined as an increase above the average of the three previous years.
- 2) The initial amount of performance funding each campus is eligible to receive is based on the system-wide distribution of 3-year average resident FTE.
- 3) Both metrics have an independent effect on the allocation (i.e. campuses must progress in both metrics to get all of their available performance funds).
- 4) A “stop-loss zone” is created to incrementally decrease performance funding allocations for campuses missing progress targets by a small amount.
- 5) Funds intended for campuses that do not make progress are returned to a "residual" fund that is redistributed to campuses making progress (no campus can receive more than double its eligible amount due to reallocation of the residual).
- 6) Any funds left over after the redistribution of residual amounts are set aside in a grant pool to be used for campus efforts to increase retention and completion.

Issues & Ideas

The Taskforce identified the following “issues & ideas” as items that should be considered in the development of the long-term process:

- 1) Whatever model is developed, academic quality cannot be compromised. Construct a model that minimizes opportunities to game metrics and/or incentivize unintended behavior.
- 2) Develop metrics that align with the missions of the various institutional types found in the MUS.
- 3) Timing: metrics in the short-term process produce outcomes that occur before the model is developed; long-term process will allow for focused strategies and efforts that align with metrics
- 4) What happens when campuses peak/plateau in a particular metric?
- 5) Consider how the size of student population and cohorts effect a campus’ ability to progress (ex. cohort size use to measure retention rates).
- 6) Investigate methods for creating a “stop-loss zone” by institutional type to account for size of campus.
- 7) How do campuses failing to make progress ever improve their outcomes with less funding?

Communications

The Taskforce recognized the following points:

- 1) On-going and consistent communication to faculty and staff related to performance funding efforts is important.
- 2) The long-term process should provide numerous opportunities to engage and involve faculty, staff, and students, as well as other interested constituents.
- 3) The use of consultants to host and facilitate campus forums (similar to the events in early April) should continue.
- 4) The Performance Funding Taskforce should be a conduit for feedback from campus constituents.

Please send feedback on this report to any member of the Taskforce.

(members are listed on the following slide)

PFT Members

The Taskforce is comprised of the following members:

Regents: **Joseph Thiel, Jeffrey Krauss**

UM: **Liz Putnam**, Faculty member (Faculty Senate Chair-elect); **Perry Brown**, Provost; **Dawn Ressel**, AVP of Planning, Budget & Analysis

MSU: **Robert Mokwa**, Faculty member (Faculty Senate Chair-elect); **Terry Leist**, VP of Admin. & Finance; **Chris Fastnow**, Dir. of Planning & Analysis

4-year: **Susan Briggs**, UM Western, Vice Chancellor of Admin. & Finance

2-year: **Susan Wolff**, Great Falls College, CEO/Dean

Student: **Seamus Manley**, UM Western, Student

OCHE: **Tyler Trevor**, Assoc. Comm. for Planning & Analysis; **Mick Robinson**, Deputy Comm. for Fiscal Affairs; **John Cech**, Deputy Comm. for 2-year Education; **Neil Moisey**, Interim Deputy Comm. for Academic, Res., and Student Affairs

Attachment 1 – College Affordability Plan (CAP) Addendum

Addendum to the February 1, 2013 Memorandum of Understanding between Office of Governor Steve Bullock and the Montana University System

This addendum is between Governor Steve Bullock and the Montana University System (MUS) Office of the Commissioner of Higher Education. It adds the following commitment to the Memorandum of Understanding dated February 1, 2013.

The Montana University System will commit to incorporating a performance funding component into the allocation model used for distributing funds to MUS Education Units. A portion of the state appropriation to the MUS in the 2015 biennium will be designated for performance funding and distributed based on progress made toward increasing college completions and other related outcomes aimed at accelerating time to degree. The MUS will establish measures and set goals in the first year of the biennium and allocate performance funds in the second year of the biennium in an amount equal to 50% of the present law adjustment in FY 15 (approximately 5% of the total state appropriation for that year).

On behalf of the State of Montana:

Steve Bullock, Governor

On behalf of the Montana University System:

Clayton T. Christian, Commissioner of Higher Education

Delivered and acknowledged:

On behalf of the Joint Appropriations
Subcommittee on Education:

Attachment 2 – PFT Recommended FY15 Performance Model

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	
Performance Funding Model v8, residual increase option																	
PAGE 1 Data in model used for example purposes only																	
COMPLETIONS (undergraduate, CAS thru Bachelor's, unduplicated, source: DW) <i>Definition:</i> The annual number of undergraduate degrees and certificates awarded. Includes 1-year certificates (CAS) through bachelor's degrees. Unduplicated counts within academic years.																	
											Performance \$\$ =	\$3,750,000					
											Residual \$\$ =	\$999,024	(average of Completions & Retention residual amts)				
											Per Completion \$\$ =	\$2,459	(residual \$\$ per completion of campuses making progress)				
ELIGIBLE AMT																	
						Progress Factor	Progress Indicator	Res. FTE, 3-yr Avg		Performance Funding	Initial Amount	Progress #	To Residual	From Residual	Total Amount		
								#	%					(residual dist.)			
CAMPUS	2008-09	2009-10	2010-11	STDEV	3-YR AVG	2011-12											
MSU Bozeman	1,813	1,770	1,754	31	1,779	1,734	-1.71	NO	8,237	28%	\$1,053,500	\$0	N/A	\$1,053,500	\$0	\$0	
Gallatin College			22		22	49	1.02	YES	236	1%	\$30,126	\$30,126	27	\$0	\$30,126	\$60,251	
MSU Billings	508	518	508	6	511	480	-1.19	NO	3,051	10%	\$390,185	\$0	N/A	\$390,185	\$0	\$0	
City College	220	219	236	10	225	317	3.49	YES	954	3%	\$121,975	\$121,975	92	\$0	\$121,975	\$243,949	
MSU Northern	236	205	248	22	230	242	0.47	YES	996	3%	\$127,431	\$127,431	12	\$0	\$30,323	\$157,754	
Great Falls College	211	283	279	40	258	330	2.75	YES	1,424	5%	\$182,138	\$182,138	72	\$0	\$177,841	\$359,979	
UM Missoula	1,662	1,695	1,776	59	1,711	1,717	0.23	YES	8,705	30%	\$1,113,264	\$1,113,264	6	\$0	\$14,752	\$1,128,016	
Missoula College	308	339	366	29	338	383	1.72	YES	1,604	5%	\$205,110	\$205,110	45	\$0	\$111,458	\$316,568	
MT Tech	276	244	339	48	286	310	0.90	YES	1,641	6%	\$209,875	\$209,875	24	\$0	\$58,188	\$268,063	
Highlands College	86	91	98	6	92	91	-0.03	NO*	353	1%	\$45,116	\$43,974	N/A	\$1,141	\$0	\$43,974	
UM Western	146	184	196	26	175	250	2.83	YES	1,037	4%	\$132,611	\$132,611	75	\$0	\$132,611	\$265,222	
Helena College	168	188	193	13	183	236	2.01	YES	1,084	4%	\$138,671	\$138,671	53	\$0	\$130,308	\$268,978	
				Average STDEV	26												
Total									29,321	100%	\$3,750,000	\$2,305,174		\$1,444,826	\$807,580	\$3,112,754	

The "stop-loss zone" (SLZ) is an indicator of how much a metric might vary naturally in a given year. The SLZ is determined by a system-wide average of the standard deviation for the metric over three previous years for each campus.

Progress Factor = $(G - F) / \text{system-wide avg STDEV}$

Progress Indicator
 YES > 0
 NO* < 0, but > -1
 NO < -1

Campuses that drop more than average STDEV (i.e. avg change in the metric across the system in a given year) do not receive any funds for that metric.

Distribution of 3-year average resident student FTE, identical to method used for allocation of the entire state appropriation

The amount of perf. funding each campus is eligible to receive is based on the systemwide distribution of 3-yr avg resident FTE.

Initial amounts are based on Progress Indicator. If in SLZ (NO*), Progress Factor used to determine % reduction.

Numerical progress made by a campus over their 3yr average. Campuses not making progress are listed as N/A.

Difference between Eligible Amt and Initial Amt; \$\$ from campuses that did not make progress

Redistribution of residual based on numerical progress multiplied by the residual per additional completion for those making progress.

Initial amount plus residual distribution (M + P) = total for Completions Metrix

Attachment 2 – PFT Recommended FY15 Performance Model

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R		
PAGE 2	Data in model used for example purposes only										Performance \$\$ =	\$3,750,000	System-wide initiatives =		\$856,433				
											Residual \$\$ =	\$999,024	Max Residual Factor =		2				
											Per Percent \$\$ =	\$48,061	No campus may receive more than double its eligible amt due to reallocation of residual. Excess residual goes to a fund for system-wide initiatives.						
RETENTION (system-wide retention rate, institutional rate + transfer rate in MUS)																			
Definition: % of 1st-time, full-time freshmen returning for a second year of enrollment in the MUS includes students returning to the same institution they entered + those returning to any other MUS campus																			
ELIGIBLE AMT																			
	F08 to F09	F09 to F10	F10 to F11	STDEV	3-YR AVG	F11 to F12	Progress Factor	Progress Indicator	Res. FTE, 3-yr Avg		Performance Funding	Initial Amount	Progress #	To Residual	From Residual	Total Amount	GRAND TOTAL		
CAMPUS									#	%									
MSU Bozeman	75.8%	77.6%	77.4%	1.0%	76.9%	77.5%	0.21	YES	8,237	28%	\$1,053,500	\$1,053,500	0.58	\$0	\$27,992	\$1,081,492	\$1,081,492		
Gallatin College			60.9%		60.9%	74.3%	4.93	YES	236	1%	\$30,126	\$30,126	13.42	\$0	\$30,126	\$60,251	\$120,502		
MSU Billings	65.8%	61.2%	63.2%	2.3%	63.4%	63.5%	0.03	YES	3,051	10%	\$390,185	\$390,185	0.09	\$0	\$4,533	\$394,718	\$394,718		
City College	51.5%	55.8%	50.7%	2.7%	52.6%	52.5%	-0.06	NO*	954	3%	\$121,975	\$114,935	N/A	\$7,040	\$0	\$114,935	\$358,884		
MSU Northern	63.8%	63.1%	63.8%	0.4%	63.6%	57.1%	-2.39	NO	996	3%	\$127,431	\$0	N/A	\$127,431	\$0	\$0	\$157,754		
Great Falls College	65.7%	54.4%	56.9%	6.0%	59.0%	61.5%	0.91	YES	1,424	5%	\$182,138	\$182,138	2.48	\$0	\$118,982	\$301,120	\$661,099		
UM Missoula	78.6%	77.1%	78.8%	0.9%	78.2%	78.3%	0.03	YES	8,705	30%	\$1,113,264	\$1,113,264	0.09	\$0	\$4,390	\$1,117,654	\$2,245,669		
Missoula College	63.3%	55.7%	55.3%	4.5%	58.1%	55.3%	-1.02	NO	1,604	5%	\$205,110	\$0	N/A	\$205,110	\$0	\$0	\$316,568		
MT Tech	81.5%	76.0%	78.1%	2.8%	78.5%	77.6%	-0.36	NO*	1,641	6%	\$209,875	\$134,904	N/A	\$74,971	\$0	\$134,904	\$402,967		
Highlands College	60.3%	44.6%	55.2%	8.0%	53.3%	55.3%	0.73	YES	353	1%	\$45,116	\$45,116	1.99	\$0	\$45,116	\$90,231	\$134,205		
UM Western	72.1%	72.0%	72.1%	0.0%	72.1%	74.2%	0.79	YES	1,037	4%	\$132,611	\$132,611	2.14	\$0	\$102,896	\$235,507	\$500,729		
Helena College	62.2%	64.5%	64.4%	1.3%	63.7%	59.2%	-1.66	NO	1,084	4%	\$138,671	\$0	N/A	\$138,671	\$0	\$0	\$268,978		
	Average STDEV			2.7%															
Total									29,321	100%	\$3,750,000	\$3,196,777		\$553,223	\$334,035	\$3,530,812	\$6,643,567		
The "stop-loss zone" (SLZ) is an indicator of how much a metric might vary naturally in a given year. The SLZ is determined by a system-wide average of the standard deviation for the metric over three previous years for each campus.				Progress Factor = (G - F) / system-wide avg STDEV				Progress Indicator YES > 0 NO* < 0, but > -1 NO < -1				Distribution of 3-year average resident student FTE, identical to method used for allocation of the entire state appropriation				The amount of perf. funding each campus is eligible to receive is based on the systemwide distribution of 3-yr avg resident FTE.			
Campuses that drop more than average STDEV (i.e. avg change in the metric across the system in a given year) do not receive any funds for that metric.												Initial amounts are based on Progress Indicator. If in SLZ (NO*), Progress Factor used to determine % reduction.				Numerical progress made by a campus over their 3yr average. Campuses not making progress are listed as N/A.			
												Difference between Eligible Amt and Initial Amt; \$\$ from campuses that did not make progress				Redistribution of residual based on numerical progress multiplied by the residual per additional percent for those making progress..			
												Initial amount plus residual distribution (M + P) = total for Retention Matrix							