

ATTY

**Performance Funding Recommendations
for the Current Year (FY 2003-04 to impact FY 2004-05)**

Background

Due to the internal re-structuring of the Commission, the Finance and Facilities Committee has undertaken the responsibility of the performance funding system. To that end, staff has met with members of the Funding Advisory Committee to discuss the current system and issues that remained unresolved going into the current year, FY 2003-04. Meetings occurred on July 28 and August 21 and 22 to educate members on the current system, to discuss unresolved issues for the current year, and to begin dialogue related to higher education funding and the openness to future changes in the performance funding system and MRR. In the short term, staff has recognized the need at this time to make known the performance funding requirements for the current year. As a result, staff addresses here only those unresolved issues that were pending from last year.

As a reminder, the current system has evolved over the past seven years. Through our collective experiences and work to improve the system, changes to the system, the measurement definitions, and standards for determining scores have been made almost annually. Currently, the present system has remained stable for the past two years. Institutions are scored on no more than 14 indicators. Standards based on national, state, or peer data and trends are in place. Performance is scored relative to standards using a three-point system with additional points possible for demonstrated improvement. The indicator scores are averaged to determine an institution's overall score. The overall score places an institution in one of five performance categories. The performance category is used to determine the allocation. Each year, an institution's performance is reported in a four-page report displaying summary scoring and institutional information and detailed performance and scoring data for each indicator. Indicator measurement definitions may vary across and within sectors. Standards also vary across and within sectors based on data relevant to the type institution (or sector) considered. These indicators and standard variances recognize the unique characteristics of different groups of institutions.

As part of the process last year, standards were re-visited for all indicators. It was recognized on the whole that the standards appeared to be at reasonable levels based on reviews of available data and trends. *(For a listing of the indicators referenced in the remainder of this paragraph, see page 2.)* In March 2003, the Commission approved continuing standards already in use for Indicators 1C, 1B, 1D/E, 2A, 3D, 3E (parts 1 and 2), 4A/B, 6A/B, 7A, 7D, 7E, 8C (parts 1 and 2) and 9A. Additionally, the Commission approved a slight change to the wording of the measure for 1C. For several indicators, additional review was necessary, and as a result, action was not taken on Indicators 2D, 3E3, 5A, 7B, 7C, 8C3, and 9B. The level of standards were under consideration for 2D, 8C3, and 8C4; data reporting and standards were being considered for 3E3; and measurement issues were under review for 5A, 7B, 7C and 9B.

It is reiterated here that as discussed at the Funding Advisory Committee's July and August meetings, and at the Committee on Finance & Facilities meeting, staff plans to continue conversations related to the performance funding system and whether and how the system might be changed. The Committee finds that the recommendation suggested here will provide for stability for the current year while affording the opportunity to pursue alternatives for future years based on our collective experiences to date.

Recommendation

The Committee on Finance & Facilities recommends that the performance funding system as of the 2002-03 fiscal year, inclusive of changes through the March Commission meeting, remain as is for the current year with the exception of Indicator 9B, *Amount of Public and Private Sector Grants*. For Indicator 9B, which applies to research institutions, it is recommended that 9B be deferred from scoring in the current year due to data being unavailable as a result of GASB 34&35 implementation.

Scored Performance Indicators by Critical Success Factor and Sector: "X" indicates an applicable indicator. N/A indicates "Not Applicable." Please note that indicator definitions and standards may vary across and within sectors. The shading indicates cases of unresolved issues as of last spring, and the Committee recommends that these remain the same as last year with the exception of 9B. Like 5A, it is recommended that 9B be deferred from scoring.

Indicators by Critical Success Factor (abbreviated descriptive titles are provided)	Sector			
	Research	Teaching	Regional Campuses	Technical Colleges
CRITICAL SUCCESS FACTOR 1, MISSION FOCUS				
1B, Curricula Offered to Achieve Mission	X	X	X	X
1C, Approval of a Mission Statement	X	X	X	X
1D/E, Institutionally Specific Measure and Goals	X	X	X	X
CRITICAL SUCCESS FACTOR 2, QUALITY OF FACULTY				
2A, Academic and Other Credentials of Faculty	X	X	X	X
2D, Compensation of Faculty	X	X	X	X
CRITICAL SUCCESS FACTOR 3, CLASSROOM QUALITY				
3D, Accreditation of Degree-Granting Programs	X	X	X	X
3E, Teacher Education and Reform Emphasis	N/A	X	N/A	N/A
"Classroom quality" measure in future years	N/A	N/A	UNDER DISCUSSION	N/A
CRITICAL SUCCESS FACTOR 4, INSTITUTIONAL COOPERATION AND COLLABORATION				
4A/B, Sector Specific Cooperation/Collaboration	X	X	X	X
CRITICAL SUCCESS FACTOR 5, ADMINISTRATIVE EFFICIENCY				
5A, Ratio of Administrative to Academic Costs	X	X	X	X
CRITICAL SUCCESS FACTOR 6, ENTRANCE REQUIREMENTS				
6A/B, SAT,ACT, High School Class Standing, Grade Point Averages of entering freshmen	X	X	X	N/A
CRITICAL SUCCESS FACTOR 7, GRADUATES' ACHIEVEMENTS				
7A, Graduation Rate	X	X	X	X
7B, Employment Rate for Graduates	N/A	N/A	N/A	X
7C, Employer Feedback on Graduates	N/A	N/A	N/A	X
7D, Scores of Graduates on Employment-Related Examinations and Certification Tests	X	X	X	X
7E, Graduates Continuing Their Education	N/A	N/A	X	N/A
CRITICAL SUCCESS FACTOR 8, USER-FRIENDLINESS OF THE INSTITUTION				
8C, Accessibility to Citizens of the State	X	X	X	X
CRITICAL SUCCESS FACTOR 9, RESEARCH FUNDING				
9A, Support for Reform in Teacher Education	X	X	N/A	N/A
9B, Public and Private Sector Grant Expenditures	X	N/A	N/A	N/A