

CHE Agenda Item 3.05 A

Agenda Item 2

Planning & Assessment Committee

October 5, 2000

**Proposed Regulations for Performance Standards and Funding and the Reduction,
Expansion, Consolidation or Closure of an Institution**

Staff Explanation

These proposed regulations are being put forward pursuant to requirements in Act 359. The Planning and Assessment Committee will consider them at the October 5th meeting and make a recommendation to the full Commission.

The proposed regulations, if approved by the full Commission on October 5th, will be forwarded to the SC State Register for publication in the October 27th issue to provide for a 30-day period for public comment prior to a public hearing. The public hearing on these proposed regulations will be scheduled for the December 7th meeting of the Commission.

ARTICLE VI
Performance Standards and Funding and the
Reduction, Expansion, Consolidation or Closure of an Institution
[Statutory Authority: 1976 Code Section 59-103-45 (4)-(5)]

Authority

Pursuant to the authority granted to the Commission on Higher Education by Section 59-103-45 (4)-(5), regulations for the development of standards for performance in higher education; a funding mechanism based on an institution's achievement towards those standards; and the reduction, expansion, consolidation or closure of an institution are hereby established.

Definitions

As used in this section:

- (1) Critical Success Factors: The nine performance areas identified in Section 59-103-30(A) of the South Carolina Code of Laws.
- (2) Education and General Costs: Expenditures associated with the following activities: Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, and Scholarships and Fellowships. Expenditures not included are those associated with Auxiliary Enterprises, Hospitals and Independent Operations.
- (3) Indicators: The elements found in Section 59-103-30 (B) as approved by the General Assembly to assess the success of a public postsecondary institution in meeting the nine critical success factors identified by the General Assembly.
- (4) Measure: Specific representation or measurement mechanism of an indicator using quantitative or qualitative characteristics.
- (5) Mission Resource Requirement (MRR) Model: Mechanism to determine funding needs.
- (6) Performance Category: Level of overall performance of an institution.
- (7) Performance Improvement Plan: Strategies for addressing performance weaknesses and the improvement of specific indicators.
- (8) Performance Rating: Score based on the analysis of performance in comparison to standards.
- (9) Performance Score: Overall evaluation of an institution's performance based on Performance Ratings on indicators.

(10) Sector: Groupings of South Carolina's public postsecondary institutions as defined by Section 59-103-15, based on their primary missions.

(11) Standard: Goal approved by the Commission on Higher Education that an institution strives to meet or exceed.

Measures and Standards

The Commission on Higher Education will define measures, standards and applicability of performance indicators that will guide the institutions in the State toward nationally and globally competitive performance. These measures and standards will be reviewed for possible revision on a periodic basis as determined by the Commission on Higher Education.

Performance Funding Allocation Plan

As required by Section 59-103-45(4)(d), the Commission on Higher Education will utilize a mechanism to determine the funding needs of the State's postsecondary education institutions. This methodology, referred to as the Mission Resource Requirement (MRR) model, is based on national and regional data sources. The Commission on Higher Education will determine annually the allocation of available state funds to meet institutional need based on performance in achieving standards.

Performance Evaluation

A. The Commission on Higher Education will approve a methodology for scoring and assessing overall performance, subject to its periodic review.

B. The Commission on Higher Education will assess annually each institution's performance in relation to standards and the approved scoring methodology.

C. The Commission on Higher Education will approve annually the performance score for each institution in order to ensure that the allocation to each institution can be made known within 10 days of adoption of the Appropriations Bill by the General Assembly.

D. An institution's performance category, based on the institution's performance score, will determine the level of funding for the institution.

E. The data used to evaluate the institutional performance will come from the Commission on Higher Education Management Information System (CHEMIS) and other data received by the Commission on Higher Education. All data utilized, regardless of source, will be subject to approval and audit by the Commission on Higher Education.

F. The Commission on Higher Education will ensure that funds are set aside for which eligible institutions may apply to improve their performance. Criteria for eligibility will be determined by the Commission on Higher Education.

Process for Review for Reduction, Expansion, Consolidation or Closure

The Commission on Higher Education will identify institutions for possible reduction, expansion, consolidation or closure by reviewing institutions that are unable to achieve standards, as defined by the performance score.

Institutions scoring in a performance category indicating standards have not been achieved for two consecutive years will be identified for possible reduction, expansion, consolidation or closure.

A. Once an institution is identified for possible reduction, expansion, consolidation or closure, the Commission on Higher Education will notify the institution's Board of Trustees, local boards and/or the State Board for Comprehensive and Technical Education, as applicable.

B. The notified institution will have an opportunity at a meeting of the Commission on Higher Education to appeal its inclusion in the review process.

C. Following the opportunity for appeal, the Commission on Higher Education will either withdraw the recommendation or proceed with a formal review from which a decision may be made leading to reduction, expansion, consolidation or closure of the institution.

D. The formal review will include a meeting between the Commission on Higher Education and representatives of the institution at which the Commission on Higher Education will identify its expectations for performance improvement.

E. Within ninety days of this meeting, the institution will submit for approval a Performance Improvement Plan to the Commission on Higher Education that addresses the expectations outlined.

(1) The Performance Improvement Plan will include, at a minimum: a strategy for meeting the Commission on Higher Education's expectations, a detailed time table for implementation not to exceed three years, identification of resource requirements, and identification of the assessment strategies to be utilized for assessment and reporting.

(2) The Performance Improvement Plan must be approved by the institution's Board of Trustees, local boards and/or the State Board for Comprehensive and Technical Education, as applicable.

F. Implementation of the approved Performance Improvement Plan will be monitored by the Commission on Higher Education.

(1) The chief executive officer, or his or her designee, will serve as the contact person for the institution's implementation of the Performance Improvement Plan.

(2) The Commission on Higher Education will review annually the institution's progress in meeting expectations.

(3) Changes to the Performance Improvement Plan must be submitted to and approved by the Commission on Higher Education.

G. The Commission on Higher Education will review the progress of the institution during and/or at the conclusion of its Performance Improvement Plan and make a preliminary decision on the action to be taken. In accordance with its adopted policies and procedures, the Commission on Higher Education will decide either to:

(1) Remove the institution from the review process;

(2) Continue monitoring the institution's progress with regard to their performance for a specified amount of time;

(3) Reduce the whole or any part of the institution or the functions thereof;

(4) Expand the whole or any part of the institution or the functions thereof;

(5) Consolidate the whole or any part of the institution or the functions thereof; or

(6) Close the whole or any part of the institution or the functions thereof.

H. A decision to reduce, expand, consolidate or close the whole or any part of the institution may include fiscal allocations, departments, programs, and/or infrastructure. In accordance with its adopted policies and procedures and in the event of a reduction, expansion, consolidation or closure of the whole or any part of the institution, the Commission on Higher Education will proceed with action based on the recommendations of appropriate committees of the Commission on Higher Education.

I. The Commission on Higher Education will present its decision as a preliminary report, following which the institution will have the opportunity to respond at a public hearing called by the Commission on Higher Education. The public hearing will be held no earlier than thirty days after presentation of the report.

J. Upon receipt of testimony at such hearing, and pursuant to any other research or inquiries it deems appropriate, the Commission on Higher Education will report its findings and final decision to the institution's respective boards, as applicable, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Governor.

(1) In the event that the Commission on Higher Education should determine to reduce, expand or consolidate an institution, the Commission on Higher Education will provide for the redistribution of allocated funds from institutions reduced to those which are required to take on additional duties. Any residual dollars will be reallocated in a manner prescribed by the Commission on Higher Education. Such action shall occur no later than the last day (June 30) of the next complete fiscal year for the purpose of providing institutions time to make the determined changes in institutional configuration.

(2) In the event that the Commission on Higher Education should determine to reduce, expand or consolidate an institution, that institution shall develop a comprehensive plan for that process to be presented to the Commission on Higher Education for approval within 90 days of the announcement of reduction, expansion or consolidation.

(3) In the event that the Commission on Higher Education finds it necessary to close an institution, that institution may be continued in existence no later than the last day (June 30) of the next complete fiscal year for the purpose of winding up its affairs, at which time it shall cease all activities. Any remaining funds will not revert to the general fund but instead will be reallocated to higher education funding through use of the funding formula in the manner the Commission on Higher Education shall determine as provided by SC Code of Laws, Section 59-103-65.

(4) In the event that the Commission on Higher Education finds it necessary to close an institution, that institution shall develop a comprehensive plan for the closure process, including specific procedures to ensure the preservation of student records and the transfer of students to other institutions as necessary. The plan shall be presented to the Commission on Higher Education for approval within 90 days of the announcement of closure.

(5) Termination of an institution shall not cause the dismissal of any claim or right of a citizen against any such institution or any claim or right of an institution terminated pursuant to these regulations which is subject to litigation.