



# **Accountability-Based Funding for Public Colleges and Universities**

January 4, 2013

**State of South Carolina**  
Office of the Governor



# Overview



- Accountability-Based Funding
- Regulatory Relief
- FY 2013-14 Executive Budget
- Whatever else you want to talk about

# Why ABF?



- Managing for performance
  - Metrics, standards, etc.
  - Major driver in K-12 policy fights of last decade
  - Not the first attempt...
- Minimizing politics/inertia as bases for funding
  - Educational quality vs. lobbying quality
- Poor prospects for more money
  - Linkage to “regulatory relief”

# ABF in 2011



- Governor met with University Presidents
- Her priorities:
  - Reduce role politics plays in appropriation decisions for higher education
  - Increase weightings for degree completion, jobs/economic development
- CHE/Presidents developed initial report
- First outline of ABF proposal in December 2011

# ABF in 2012



- Series of meetings and calls with Presidents leads to consensus on a framework
- Senator Gregory introduces S. 1397 in March
  - Senate Education Subcommittee and Committee approve it in May; Senate passes it 36-1
  - Bill dies in House before Education Committee meets
- Significant support for ABF expressed by legislative leaders at Governor's October summit

# OK...So what is it?



- Funding for public colleges and universities, except MUSC
- 5-year phase-in after “learning year”
- Pay schools based upon their share of in-state undergrads, adjusted for institutional class and performance rating
- 4 categories, each with 2-3 indicators

# Who's in the mix?



- “Public colleges and universities” was essentially a given
- MUSC excluded because in-state undergrads are at the heart of the model, and there's too much variation in that figure at MUSC

# How do you classify institutions?



- Started with the traditional model:
  - Research, 4-year, 2-year
  - Didn't allow for sufficient differentiation
  - Also doesn't address “uniqueness” of mission
- Switched to Carnegie Classification...still discussing peers
  - Yields 9 “boxes” instead of 3...not really a continuum (?)
  - Lets institutions migrate without breaking model

Research Very High	Research High	Doctoral Research	Masters Large	Masters Medium	Masters Small	Bac / Diverse	Bac / A&S	Assoc / Pub2in4
USC– Columbia	Clemson	SC State	The Citadel Winthrop	College of Charleston	Francis Marion	Lander  USC– Aiken, Beaufort, Upstate	Coastal Carolina	USC– Lancaster, Salkehatchie, Sumter, Union



# How do you measure performance?



- Consensus on 4 categories:
  - Completion (30%)
  - Affordability & Access (30%)
  - Educational Quality (25%)
  - Economic Development & Institutional Mission (15%)
- Institutions scored “objectively” for first 3; final category negotiated

# Completion (30%)



- Strongest agreement here, with fewest concerns over operationalization
- 2 items:
  - Graduation rate, 6-year (20%)
  - Retention rate for first-time freshmen, 3-year rolling average (10%)
- Issues:
  - How much do institutions control this?
  - Incentive to water-down requirements?

# Affordability & Access (30%)



- Significant conceptual support, but many ways to count
- 2 items:
  - In-state undergraduate tuition and required fees (20%)
  - Average graduate debt load (10%)
- Issues:
  - Paying per-student and rewarding low tuition gives incentive to increase enrollment...hurting quality?
  - Do institutions get “credit” for other public support?
  - Debt load gets at non-tuition costs, but may asymmetrically impact institutions with poorer students

# Educational Quality (25%)

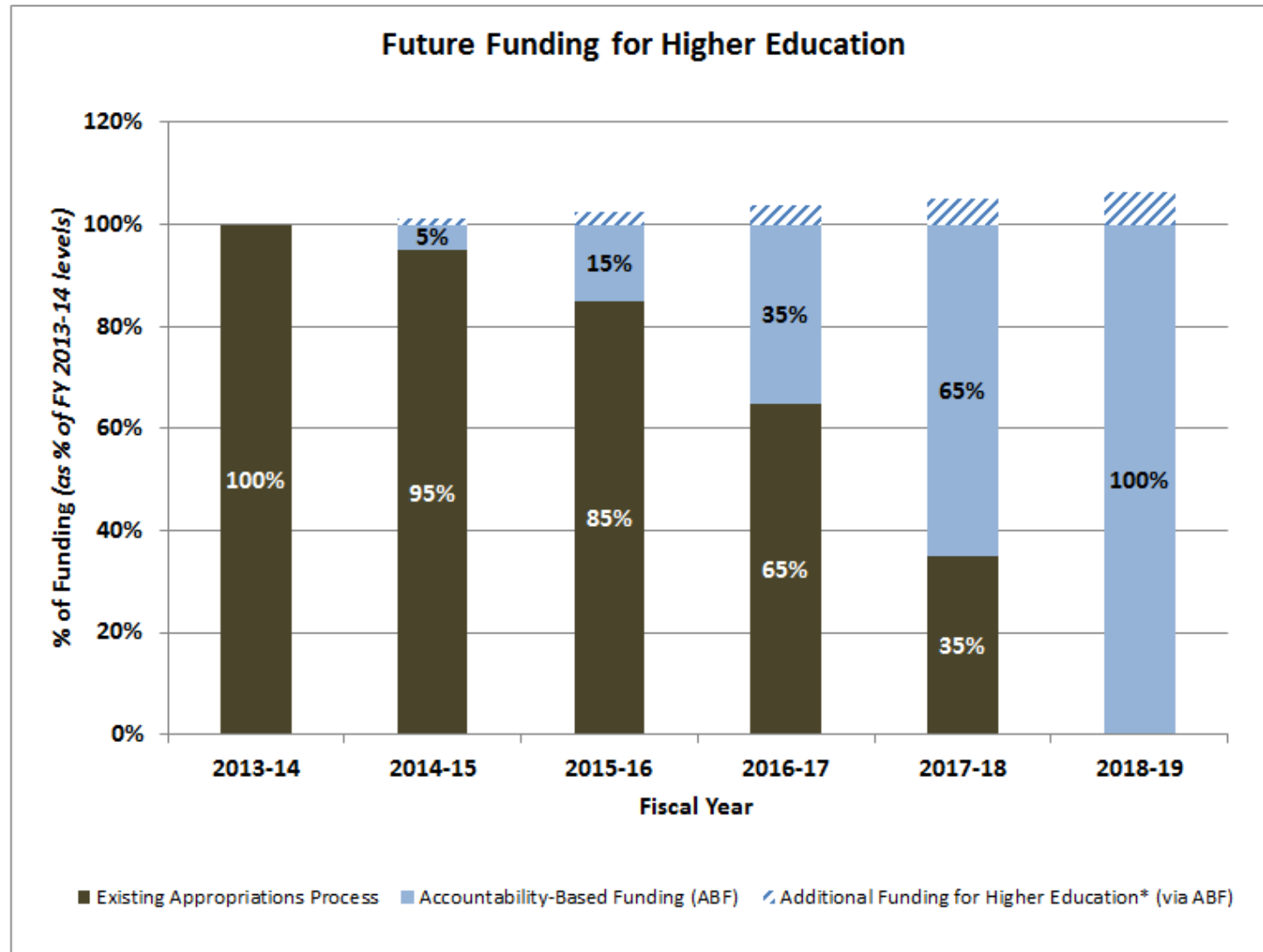


- Consensus on category, but not on indicators
- 3 placeholder items:
  - Faculty with terminal degrees (10%)
  - Full-time student/faculty ratio (10%)
  - 3<sup>rd</sup> factor tied to facilities or endowment size (5%)
- Issues:
  - Focus on terminal degrees impedes ability to bring in experienced professionals, where appropriate
  - Student/faculty ratio probably not relevant
  - Shift toward educational value vs. quality?
  - Is it performance or outcome measurement?



- Institutions would propose measures and performance targets
- Permits model to reflect unique missions
  - Forces “management” to consider the same
- Issues:
  - Introduces significant subjectivity
  - Punishes more aggressive goal-setting

# Phasing-in ABF



# Closing Thoughts on ABF



- Some interactive effects across categories
  - Also tension between simplicity and “fairness”
- Only applies to a subset of public support for these institutions
  - Stable pot size means growing schools take \$ from others
- Educational quality / value is toughest to measure
- New ABF bill will retain last year’s approach – adopt the framework, then fight over measures

# Regulatory Relief



- Eliminate certain duplicative reviews (JBRC, BCB)
- Interested in walking away from appropriating FTEs or for setting authorization levels for many “Other Funds” areas – tuition, enterprise funds, TV revenue, etc.
- Allow institutions to “earn” autonomy in personnel, finance, procurement, technology, etc.
  - Tiers of relief
- Consolation prize for limited new money



# FY 2012-13 Executive Budget



- Governor proposed HEPI increase for institutions
- Legislature held most institutions level, but gave 3% raise and ~\$40M in capital
- Governor accepted deferred maintenance and vetoed many special projects

# FY 2013-14 Executive Budget



- Governor generally held General Fund level
  - Clemson: Center for Energy Systems
  - USC: Palmetto College (funds and restructuring), plus portion of “On Your Time”
- Proposed \$24M from Capital Reserve Fund
  - \$3M for MUSC, \$21M for others (allocated by in-state undergrad students)
- ABF to be reintroduced shortly

# FY 2013-14 Executive Budget



- Lottery:
  - Estimates for Lottery-supported scholarships were not available when budget was completed
  - Significant cut in Lottery forecast
- CHE:
  - Performance Funding line is a misnomer
  - 20% reduction for multi-institution centers
  - Sea Grant Consortium to CHE with 30% cut



# Questions?