

**COMMENTS ON THE PLAN AND REGULATIONS ON
PERFORMANCE FUNDING SUBMITTED UNDER PROVISIONS
OF THE ADMINISTRATIVE PROCEDURES ACT**

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**Comments by Dr. Michael McCall to the South Carolina
Commission on Higher Education in the Public Hearing
on the Plan and Regulations on Performance Funding
March, 6, 1997**

Good morning, I would like to express my appreciation for the opportunity for the South Carolina Technical College System to comment on the Regulations which will provide for performance funding. I have a number of the Presidents from the Technical Colleges, who have already been introduced, with me today. I am expressing the collective concerns of our institutions and governing board.

Since the passage of Act 359, it has been a mammoth, if not Herculean task, for all of us in the higher education agencies and the public institutions to arrive at this point in time with the amount of work we have accomplished. As required by the Act, we have begun in a very short time frame the total reformation of funding public higher education in South Carolina. Since not a single person, institution, or state agency in our nation has experienced the total conversion of a state's higher education funding from an FTE-BASED formula to a methodology based on performance indicators, we must anticipate that we, in South Carolina, will experience unintended consequences in our reformation. And, we also must anticipate that we must design and redesign our methodology over time to insure that we do indeed carry out the specific mandate of Act 359 for our State of South Carolina to " . . . be a global leader in providing a coordinated, comprehensive

system of excellence in education . . . "

We, in the Technical College System, fully recognize that our State has embarked on a bold initiative. All of us in leadership positions in the higher education community have a special responsibility at this time in South Carolina's history. In this evolution of a new concept of the funding and administration in American higher education, we must insure that the State's goals for higher education are realized.

In the spirit of the comments I have just made, I must note a series of concerns which we, in the Technical College System, have with the Regulations. Our concerns have developed since the January 9th approval of the Regulations by the Commission and as agency staff, college staff, and the Technical College Presidents' Council have initiated work to collect data as is required under Regulation 62-710 Implementation Item D which provides for the phase-in of the indicators. This section states that data will be collected by the CHE on 14 indicators (only 12 of which relate to the Technical Colleges) in this first year.

The Regulations state on page one under the paragraph title Preliminary Fiscal Impact Statement that "The fiscal impact on the higher education institutions in the State in the first year should be minimal since the indicators being implemented in FY 1997 utilize data that is currently being submitted to the Commission."

Since January 9th all public institutions have been asked, by CHE staff, to respond to the 14 indicators although it has been demonstrated in meetings that the Commission is indeed not collecting complete data on all 14 indicators.

The Technical College System and its colleges do not have system records and reports to supply audited data to the Commission on the following:

3A2--Student Teacher Ratio by CHE's new definitions.

3B1--Average number of Credit hours taught by full-time faculty by the new CHE definitions.

3B2--Average number of Credit hours taught by FTE teaching faculty by the new CHE definitions.

For the above indicators, the Commission has not collected complete data. Neither has the State Board collected automated/accessible data. Please note again that the regulations stipulate that only current data will be used in the first year.

The Technical College System will respond to the request of the CHE staff and will attempt to supply these data (3A2, 3B1, 3B2) since they have been requested. The Technical colleges currently are preparing these reports through their own processes. These reports will not produce audited data. Historically, the State Board for Technical and Comprehensive Education, has funded institutions only on audited data. We do not perceive that we are functioning at the level of performance

desired by Act 359 when we break more than 25 years of sound fiscal practices and begin to fund institutions on unaudited data.

If we are to assure high performance in higher education institutions, we must have data collection, reporting, and auditing systems in place to assure the correct budget planning and distribution of appropriated funds. The State Board has placed a high value in ensuring accuracy in the management of its fiscal and programmatic responsibilities. We do have concerns that we are headed down a new path of using unaudited data to plan and administer the work in educational institutions.

We will supply the data we noted above at the earliest possible date, but we must point out the inconsistency of practice with the stipulations in the regulations. And, again, we must point out our concern that our past standards be upheld in using audited data for budget development and distribution of funds.

We have an additional concern on a final performance indicator for which we can only prepare college reports manually. This is 7f--the Credit Hours Earned by Graduates. Again, no automated record system exists to produce the required report this year. Our institutions would have to read and interpret 6,127 transcripts of degree and diploma graduates, and manually prepare the reports. We cannot assure the system-wide reliability of such a manual process. The resulting data from this reporting effort may not be valid and cannot be reasonably

audited. Historically, the State Board has required its colleges to adhere to well structured, reliable systems for data collection where both systems and data are audited to insure accuracy. High performance organizations require totally accurate information systems and auditing systems. If we put the cart before the horse and collect unreliable and unaudited data to use in funding performance in the colleges, then we are not laying a good foundation for our reformation of higher education. The Technical College System is unable to report data for Performance Indicator 7f in the first year of this phase-in period.

The Technical College System has identified additional concerns with items in the regulations as we have begun work on data collection.

1) Preliminary Fiscal Impact Statement. The Cost for implementation may be accurate for CHE, but totally ignores thousands of man hours and associated computer programming costs required in the Technical College System to come into compliance with the mandates in this first year. This display of \$45,000 gives a false assurance to the General Assembly that the record systems are in place to ensure the success of Act 359.

2) 62-705 Definitions, B. Our colleges load faculty work schedules by credits for some disciplines and by contact hours in other disciplines. Contact hours are used especially in the industrial programs and allied health programs. It is inaccurate

for Technical Colleges to define a credit hour in these measures to be a measure of one hour of instruction when that credit hour may represent three or four contact hours of instruction. We require an accurate measure to represent one hour of instruction or the description of faculty work loads will be distorted.

3) 62-705 Definitions. Now that we have experience in attempting to use these new universal definitions for data collection and analysis, we are concerned that a number of the definitions when applied to Technical Education may render true numbers but inaccurate information. This problem relates to forcing definitions to apply to all sectors. We can only raise a warning flag at this time and anticipate further negotiations with CHE staff as they further interpret the applications of these universal definitions for use in performance funding.

For example, D. Distance Education: instruction offered off-site via electronic means. Our experience in recent analysis indicates that "off site" should be deleted from the definition. Given the permutations for student use of Distance Education Programming within the Technical College System, we would now propose that Distance Education be defined as instruction offered via electronic means.

4) 62-710 Implementation. C. Could this Statement begin with a phrase such as "After consultation with the Council of College and University Presidents".....? Our rationale is that the leadership of the institutions must ensure the clearest

communications with the Commission during this three-year implementation period if we are to effectively implement the mandate of the General Assembly.

5) 62-730 Implementation. Item C states that " The 14 indicators and their respective measurements shall be applied individually to the public institutions." Our concern must be noted that an aggregate of the sixteen data sets by the State Board for Technical and Comprehensive Education will represent the performance of the Technical College System. Funding will come to the Technical College System in relationship to system performance against system benchmarks. In such a case, Item C should acknowledge data submission by the Technical Colleges and the application of the measures by the State Board to the individual Technical Colleges.

6) 62-750 C. 2. Development of Performance Methodology--"The Commission shall develop further the performance funding methodology as it applies to generating funding allocations to higher education in general and to the higher education institutions specifically."

The Technical College System requests that the allocations statement acknowledge the treatment of the Technical Colleges as a system under the State Board by modifying the above sentence by inserting the following words preceding the word "specifically." The additional words would be "...and the State

Board for Technical and Comprehensive Education ..." We understand that there has not been any intention to ignore the responsibilities of the State Board and we wish to prevent any potential misunderstanding by requesting this change in the wording in the Regulation.

In closing, we would hope you accept our recommendations in the constructive spirit in which we offer them. Our actions over the years have demonstrated that we support all efforts to improve our programs and services through increasing our accountability to the public. We are working as best and as sincerely as we can to insure that performance funding will improve our services to our local citizens and our employers. Thank you for this opportunity to express our concerns.