

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committees: Academic and Student Affairs/
Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Resources for Results

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

The Board of Trustees has directed the Chancellor to develop a funding model that would allocate a portion of the system's state appropriation to colleges and universities on the basis of their performance. Development of Resources for Results is a goal in the fiscal year 2011 workplan of the Finance and Facilities Committee.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – Chief Financial Officer
Scott R. Olson, Interim Vice Chancellor for Academic and Student Affairs

Outline of Key Points/Policy Issues:

A plan for Resources for Results will be presented as part of the proposed fiscal year 2012 Operating Budget. The purpose of this joint committee meeting is to update the Board on progress and determine whether the current direction is acceptable to the Board. Further work will follow based on the discussion.

Background Information:

The system Allocation Framework provides for priority incentive and performance funds to be created to drive compelling educational interests that are determined by the legislature, Board or Chancellor.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM
RESOURCES FOR RESULTS

Resources for Results is being developed as a proposed model for allocating a portion of the system's state appropriation to colleges and universities on the basis of their performance. As presented in previous discussions with the Board, the proposal will define how institutional base allocations would be augmented with funding that recognizes each institution's achievement of priority outcomes. This initiative is included in the Chancellor's workplan and fiscal year 2011 goals of the Finance and Facilities Committee.

Since late summer 2010, two internal groups have been formally involved in reviewing development of Resources for Results:

- ASA and Finance Leadership Council committees (presidents) meeting jointly and
- The Allocation Framework Technical Advisory Committee (chief academic officers and chief finance officers).

The Board last reviewed the initial assumptions and design of Resources for Results in January, 2011. The current status of Resources for Results development is presented below for Board discussion.

RESOURCES FOR RESULTS FUNDING AND PENDING LEGISLATION

In January, the Board of Trustees received a briefing on Resources for Results that included an assumption that it will be funded by reallocating existing institutional resources. Resources for Results was presented as a potential new priority incentive fund within the Allocation Framework. The amount of priority incentive funds available to institutions in this current model is approximately one percent of total institutional allocations. Under the preliminary design, each institution would have the opportunity to earn its share of the amount set aside from distribution under the basic allocation formula.

Since that meeting, HF 1101, the omnibus higher education funding bill, was adopted by the state House of Representatives. If enacted into law, the bill would implement performance-based funding that incorporates similar provisions to the design of Resources for Results currently under development in the Office of the Chancellor.

The performance-based funding provisions of HF 1101 would make release of a portion of the system appropriation contingent on achievement of specified goals. Under the

current bill, one percent of the 2013 Operations and Maintenance appropriation, or \$4.86 million, would be released to the system based on performance on five goals.

To earn the performance-based appropriation, three out of the five performance goals would need to be achieved. Two of those goals—increasing the numbers of degrees and other awards earned by students and improving the fall-to-fall persistence and completion rates for new entering students—mirror measures contemplated for Resources for Results. The full text of the bill is shown in the attachment with completion-based measures shown in **bold**.

This legislation parallels the intent of Resources for Results by making some appropriations contingent on system performance. If it is enacted and the system earns the performance-based appropriation, the methodology designed for Resources for Results could direct the sequestered resources for this part of the appropriation to the colleges and universities in fiscal year 2013. The Resources for Results design under development defines the measures that would be used and proposes criteria and a process for distributing funding based on college and university performance.

RESOURCES FOR RESULTS MEASURES

Consistent with the Board's January discussion, Resources for Results is being designed to recognize achievement on two types of measures:

- Student success (persistence, transfer and completion), and
- Number of degrees and other awards conferred.

Work is proceeding on defining how performance on each of these outcomes would be measured.

Student Success Measure (Persistence and Completion Rate)

As currently proposed, this measure would track cohorts of undergraduate regular and transfer students from their initial fall term of entry to the following (second) fall. Cohorts would not include graduate students or PSEO and other high school students. Students would be counted as successful if they remain enrolled, have graduated or are enrolled in another institution (within MnSCU or at another U.S. institution) the second fall following entry. This measure is now reported on the system Accountability Dashboard.

Completion Measure (Graduate to Degree-Seeking Headcount Ratio)

As currently proposed, this measure would include graduates who earned any award—certificates, diplomas, and associate, bachelor's and graduate degrees—granted by colleges and universities. To recognize the lag between enrollment changes and changes in the numbers of graduates produced, the number of graduates who earned one or more

awards in a given year would be compared to the college or university credit degree-seeking headcount in an earlier year.

Achievements in Serving Underrepresented Students

Minnesota State Colleges and Universities defines students who are underrepresented in higher education as students of color, first generation college students, and low income students. This model could recognize and reward institutions for serving these students.

Because these students often need enhanced commitment and services, colleges and universities that succeed in retaining, transferring and graduating underrepresented students could receive additional rewards under Resources for Results. For example, performance models in some other states count each award granted to an underrepresented student as two awards. Adjustments in the two measures to recognize the success and completion of underrepresented students would also counteract any incentives for colleges and universities to pursue performance-based funding by reducing access to higher education.

DEFINITION OF PERFORMANCE LEVELS

The Resources for Results model under discussion contemplates two ways in which colleges and universities could demonstrate performance on the measures of success and completion.

Improved Performance

Change on each measure could be determined by comparing recent performance to prior performance. Colleges and universities would be rewarded by improving their student success and graduation rates.

Sustained Excellence

Colleges and universities with performance that is already at a high level or exemplary will find additional improvements more difficult to achieve. For that reason, Resources for Results could reward those institutions for demonstrating existing high levels of excellence on either of the two measures.

CONTINUING DEVELOPMENT

The ASA and Finance Leadership Council committees and the Allocation Framework Technical Advisory Committee will continue to review and refine the Resources for Results model as further detail is developed and as the Board provides guidance. The Office of the Chancellor expects to present a proposal to the Board of Trustees in May, 2011.

Date Presented to the Board of Trustees: April 19, 2011

Attachment

**H.F. 1101, Higher Education Omnibus Funding Bill
Passed the House of Representatives, March 29, 2011**

(Article 1, Section 4, Subd 3)

One percent of the fiscal year 2013 appropriation in this subdivision is available in fiscal year 2013 after the Board of Trustees of the Minnesota State Colleges and Universities demonstrates to the commissioner of management and budget that the board has achieved at least three of the following five performance goals:

increase by at least seven percent, compared to fiscal year 2009, graduates or degrees, diplomas and certificates conferred;

increase by at least ten percent, compared to fiscal year 2010, the number of students of color;

increase by at least fifteen percent, compared to fiscal year 2010, the full year equivalent enrollment of students taking online or blended courses or the number of online and blended sections;

increase by at least one percent the fall 2011 persistence and completion rate for fall 2010 entering students compared to the fall 2010 rate for fall 2009 entering students;

and decrease by at least three percent, compared to calendar year 2009, total energy consumption.

By October 1, 2011, the Board of Trustees and the Minnesota Office of Higher Education must agree on specific numerical indicators and definitions for each of the five goals that will be used to demonstrate the Minnesota State Colleges and Universities' attainment of each goal.

On or before April 1, 2012, the Board of Trustees must report to the legislative committees with primary jurisdiction over higher education finance and policy the progress of the Minnesota State Colleges and Universities toward attaining the goals.