



**JOINT MEETING OF THE  
ACADEMIC AND STUDENT AFFAIRS AND  
FINANCE AND FACILITIES COMMITTEE  
JANUARY 19, 2011  
10:00 a.m.**

**BOARD ROOM  
WELLS FARGO PLACE  
30 7TH STREET EAST  
SAINT PAUL, MN**

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**Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.**

Committee Chairs Dan McElroy and Christine Rice will call the meeting to order.

- (1) Resources for Results (pp 1–5)

**Academic and Student Affairs Committee Members**

Christine Rice, Chair  
Duane Benson, Vice Chair  
Christopher Frederick  
David Paskach  
Tom Renier  
Louise Sundin  
James Van Houten

**Finance and Facilities Committee Members**

Dan McElroy, Chair  
Michael Vekich, Vice Chair  
Duane Benson  
Cheryl Dickson  
Christopher Frederick  
Clarence Hightower  
Phil Krinkie  
James Van Houten

**Bolded** items indicate action required.

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

**Agenda Item Summary Sheet**

**Committees:** Academic and Student Affairs/  
Finance and Facilities

**Date of Meeting:** January 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 directed the Chancellor to develop a proposal to allocate a portion of the system's state appropriations to colleges and universities on the basis of their performance. Implementing 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 determine the Board's direction concerning possible measures and other design features. 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**

<b>INFORMATION ITEM</b>
<b>Resources For Results</b>

At the request of the Board of Trustees, a proposal for allocating state appropriations to colleges and universities on the basis of specified outcomes is under development. Titled “Resources for Results,” the proposal will supplement institutional base allocations with funding that recognizes each institution’s achievement of priority outcomes determined by the Board. 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).

To guide further development, initial decisions regarding Resources for Results are presented below for Board discussion. In particular, the Board’s direction is sought on the proposed outcomes to reward with performance funding and the relationship of Resources for Results to other parts of the Allocation Framework.

**Proposed Principles to Guide Development of Resources for Results**

The following principles have been developed in discussions with the Allocation Framework Technical Advisory Committee (TAC) and the ASA and Finance Leadership Council committees:

1. Rewarded performance measures should link to the system strategic plan.
2. Limit the number of measures to a few core outcomes.
3. Insure that all colleges and universities have the opportunity to be rewarded for achieving goals that are appropriate to their missions.
4. Prefer rewards for existing performance measures that institutions already know and use.
5. Prefer performance measures that can be developed using existing system-level data.
6. Report and celebrate the funding that institutions earn by achieving results.
7. Choose performance measures which are clear and easily understood by institutions and external stakeholders.

8. Build a performance funding model that will be sustained and provide consistent incentives for institutions over time.

### **Resources for Results Measures Proposed for Further Development**

To focus development of Resources for Results, it would be helpful to start with a consensus regarding the outcomes that the Board wishes to recognize. Once the types of measures are identified, the Office of the Chancellor will analyze the effects of alternate ways in which they could be defined and applied in a performance funding model.

After consultation with the leadership committees and Technical Advisory Committee, Office of the Chancellor staff propose that Resources for Results be developed based on the following two types of measures:

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

### **Focus on Core Outcomes**

These two measures are recommended because they would align the system with national and state priorities on improving degree completion. While access to higher education has been a traditional focus of most public institutions, the national agenda is moving toward greater attention to the success of students once they enroll. Recent initiatives of the Lumina Foundation, Bill and Melinda Gates Foundation, and the Obama administration challenge higher education to increase the numbers of students who complete degrees or other credentials that will allow them to make a living in today's workforce.

Within Minnesota State Colleges and Universities, the recently revised system strategic plan recognizes this trend by including a new goal to: Support students to reach their educational goals with a focus on graduation or transfer. As part of Minnesota's commitment, the system participates in Complete College America, a national effort to increase the numbers of students who complete post-secondary programs and to close the achievement gaps among underrepresented students.

Although the system has not explicitly rewarded institutions for student success and degree completion, these goals are not entirely new expectations for system colleges and universities. All types of system institutions—state universities, community colleges, technical colleges, and consolidated community and technical colleges—accept student success and degree completion as part of their missions. Because of their fundamental nature, student persistence, transfer and degree completion are reported in existing system data, and it should be feasible to design performance measures that do not require new data collection from institutions.

### **Two Related Measures**

The proposed measures include a direct measure of degree or other award completion and a measure of progress toward a degree or other award. While the number of degrees and other credentials granted may be seen as an ultimate goal that should be rewarded, a

measure of progress recognizes that there is value when students complete courses even if they do not immediately earn a degree. Other state performance funding systems have found that institutions can make immediate changes to improve student persistence, but improving the numbers of students who graduate takes longer to achieve and reward.

**Underrepresented Students**

The Board has committed \$22 million in Access and Opportunity funding in the current biennium to fund targeted initiatives that promote success of students of color, first generation students, and low income students. Some other states with performance-based funding provide additional rewards for achievement in educating populations that often need special services. Within Resources for Results, it would be possible to incorporate incentives for colleges and universities to succeed in retaining, transferring or graduating underrepresented students.

**Resources for Results and the Allocation Framework**

The Allocation Framework is the system’s method for allocating state appropriations to carry out the system mission. In the current year, 86 percent of fiscal year 2011 appropriations is distributed to colleges and universities, and an additional 7 percent is set aside for system-level expenditures on their behalf.

Eighty-nine percent of the funds directly allocated to the colleges and universities, \$463.8 million, is distributed by formula. Allocation formulas explicitly recognize a number of factors that influence institutional decisions. In particular, the major funding allocations for instruction and academic support provide clear incentives for institutions to increase full-year equivalent enrollments and to manage their costs to be at or below average for similar programs. Incentives for enrollment growth and cost containment are consistent with state and Board objectives to educate more Minnesotans, meet student expectations and use resources efficiently.

**Distribution of State Resources, Fiscal Year 2011**

(\$ in millions)	FY2011 Operating Budget	% of State Appropriated Resources
Institution Allocations	\$519.9	85.5%
<ul style="list-style-type: none"> <li>• Formula-based basic allocations</li> <li>• Designated functions and other purposes</li> <li>• Incentive and priority allocations</li> </ul>	\$463.8 31.8 24.3	
Systemwide set-asides (debt service, technology and other uses)	41.3	6.8%
Office of the Chancellor/ Shared services, presidents' compensation	46.8	7.7%
Total state resources	\$608.0	100%

Eleven percent of the state-appropriated funds distributed to colleges and universities support designated services and priorities, including incentive and priority allocations which total \$24.3 million. The amounts now budgeted for priority and incentive funds support services for underrepresented students and other priorities identified by the legislature, Board or Chancellor. Resources for Results will be proposed as a new priority incentive fund to reward outcomes chosen by the Board.

The amount of priority incentive funds that will be available to institutions under Resources for Results will be determined in setting the fiscal year 2012 Operating Budget, but approximately one percent of total institutional allocations is envisioned during the first year. The draft design contemplates that each institution would have the opportunity to earn its share of the amount set aside. While the outcomes of the legislative session are not yet known, it is expected that Resources for Results will need to be funded from existing institutional resources.

### **Next Steps**

The Chancellor expects to include a priority incentive fund allocation to implement a Resources for Results strategy when the Board of Trustees is asked to approve a fiscal year 2012 Operating Budget. The Chancellor is seeking the Board's feedback on the strategy and the two types of measures outlined in this report. With the Board's support, staff will return in April to further detail how Resources for Results would be implemented.

*Date presented to the Board of Trustees: January 19, 2011*