

MINUTES
PERFORMANCE FUNDING STEERING COMMITTEE
August 30, 2011

A meeting of the Illinois Board of Higher Education Performance Funding Steering Committee was called to order at 10:00 a.m. in the Hall of Honors at Governors State University, University Park, Illinois, on August 30, 2011.

George W. Reid, Executive Director, presided.
Linda Oseland was Secretary for the meeting.

The following Board members were present:

David Anderson	Santos Rivera
Jay Bergman	Elmer L. Washington
Frances Carroll	Addison E. Woodward, Jr.
Allan Karnes	

The following Committee members were present:

Rita Cheng	Geoffrey Obrzut
Larry Frank	Honorable Robert Pritchard
Timothy Harrington	Tom Pulver
Anne Ladky	Julie Smith
Elaine Maimon	Michael Toney
Honorable Edward Maloney	Dave Tretter
Michael Monaghan	Wayne Watson

The following Committee members were present via telephone:

Abbas Aminmansour	Liz Ortiz
Kim Hubbard	Honorable Chapin Rose
Honorable Naomi Jakobsson	Gayle Saunder/Lisa Gregory
Elaine Johnson	Honorable Sheila Simon
Jeff Mays	Jerry Weber/David Agazzi

Committee Member Introductions

Dr. George Reid said, "I would like to have each of you to introduce yourselves. We will start with Bob Pritchard to my left."

The group introduced themselves and their affiliations.

Welcome and remarks by Chairman, George W. Reid

Dr. Reid said, “You have before you several items. One is the Governor Quinn’s press release from several days ago, August 12, when he signed 1503 into law for your keeping and reading. You have also at your tables Dennis Jones’ power point which he will be going through in just a few minutes and you have the Agenda for today’s meeting. One of the reasons I asked for a tentative agenda is so that we will know exactly what it is we are going to be talking about and there will be no sort of extraneous conversations that are in your mind and this is what we should be talking about today. Do I have any objection to the tentative Agenda? So hearing none by acclamation this is our Agenda for today.

“It is a very important meeting as you know, not just because all of you have come to sacrifice your time and it is great that you have; union people, board members, college university presidents, senators, representatives and then two national experts to join us. One I want to make sure that you all see and grab him before he leaves today, that is Mike Baumgartner whom you know. He was formally our CFO at Illinois Board of Higher Education (IBHE). He went onto greener pastures at Complete College America. We are very glad to have Mike on our team. Mike among all of the things he is doing at Complete College America is also Illinois’ liaison. So thank you Mike so much.

“Then we have Dennis Jones who I will introduce in just a moment.

“I did want to say how great it is that the President of Governors State has invited to us as many meetings as we would like to have here. This is our second meeting. I wanted Elaine Maimon just to say a word or two to you about the university and about her commitment and welcome you and anything else she would like to say.”

Welcome by Elaine Maimon, President, Governors State University

President Elaine Maimon said, “Thank you George, and a warm welcome to Governors State University. We really are very proud of seeing ourselves as a *Public Agenda* university. We are very committed to students having a quality experience and completing their associate degree at the community college and then a bachelor’s degree here. We call that the dual degree program and I have made presentations on that before at the Board and can provide information for you. What I would like to tell you today is that the dual degree program has received attention in Washington D.C. The Under Secretary of Education, Martha Kanter is so impressed with the way that we are organizing things for something beyond two plus two, something beyond articulation, but real interaction between the community college and the university that she invited us to join her in, I guess the best word for it is a rally, that will be on Friday, September 9, 2:00 p.m. here in our Center for Performing Arts and the name of the program is Success by Dual Degrees: Fulfilling the President’s College Completion Goals for 2020. We would love to have you here. You will hear more about our program then. What Martha said

was that the purpose of this rally is to make the point that counting degrees is not enough, very much in line with what this performance based funding committee is doing, that they have to be degrees that are quality and they also should be degrees that prepare students, not only for success in their jobs and careers, but prepare them to be citizens of the United States, prepare them to have those critical thinking skills. Martha has been a very strong voice for that. She sees that what we are doing in Illinois, what we are doing at Governors State University as leading that effort and this really will be a celebration of higher education in Illinois and also of this particular program that we are very proud of at Governors State University. Please come. It is open to everybody. Bring friends, bring colleagues, bring neighbors and I think it will be a very good moment and very much in accordance with the theme of this committee.”

Dr. Reid said, “Very good. And the date again, would you say the date?”

President Maimon said, “It is Friday, September 9, 2:00 p.m. in Governors State University Center for Performing Arts.”

Dr. Reid said, “Any questions of President Maimon?”

Remarks by Chairman, George W. Reid

Dr. Reid said, “Let us turn our attention to Item 4 on the Agenda which is a recapitulation of HB1503. 1503 really was the brain child of our work with Complete College America and at the hand of Senator Ed Maloney and Representative Bob Pritchard, Representative Chapin Rose and others including Representative Jakobsson from the Urbana area. What this bill requires is that the Illinois Board of Higher Education create this committee to recommend to the Board performance funding goals for higher education at the state level and individual institutional goals. The idea of 1503 is that it will be bent toward trying to reduce the achievement or the prosperity gap whichever one you want to call it and trying to bring into higher education in Illinois many more of the underrepresented who are not now in higher education or if they are, are not that successful. Our work here is so important I cannot think of in terms of the landscape of higher education anything more important than getting more people included in the success story that higher education has brought to America and Illinois and to bring aboard more of the underrepresented and others who have been successful to be more successful through performance funding. That is the nexus of our work.

“On August 12 Governor Quinn signed into law 1503. It was done at the Western Illinois University at the Quad Cities Campus. You have at your desk his press release but I wanted to read just a couple of sentences from the press release from that day. Governor Quinn said, ‘when it comes to the education and graduation of our students in college we must demand excellence.’ He said, ‘this new law Performance Funding 1503 raises the bar for our universities to insure we are meeting the needs of our students so that they have a better opportunity to graduate and find meaningful employment.’ Today we start this real hard work of making this a reality.

“Let me turn to Item 5 which is the heart of our meeting today and that is to bring on Dennis Jones. We were in Denver and Stan Jones, President and Founder of Complete College America, motioned to me that he would like to have a little meeting with me and I said well of course. He said do you mind if I bring Dennis Jones and Mike Baumgartner and Jeff Stanley and I said no, please do. So we met on the outside of the hotel and Stan said look, we like what you are doing in Illinois so much so that we wanted to be very very supportive. Of course you know, we did not get the million dollars, was not that kind of support I guess, but he said what I want to do is I want to give you a consultant who understands what performance funding is all about because he was one of the creators, one of the makers of this movement that has led to performance funding, Dennis Jones. Of course when I was at another university I worked with Dennis. I have known him for 25 or 30 years. I thought that was one of the great things that Stan Jones could have done for us in Illinois because I know the quality of Dennis’ work. Dennis is the President of National Center for Higher Education Management Systems (NCHEMS) as he said. NCHEMS as you remember from his work with you on the *Public Agenda* is a non-profit research and development center and what they try to do is to push forward new ideas about how to make strategic decisions. They work with public agendas all over the country. So the whole movement to establish public agendas in higher education is in some ways really attributable to NCHEMS and to the work of Dennis. Also, he works on workforce development and economic development in higher education and in policy making in terms of how colleges and universities can make better policy as regards to the *Public Agenda*. Dennis now has done this for a number of decades, but you should know he is a very accomplished author of several monographs. I know you have read some of his work. He has been a presenter here in Illinois many times, around the country as a national speaker and international speaker at international conferences at hundreds of colleges and universities in his career. Before all of that he was a student having several degrees from Rensselaer Polytechnic Institute in New York and where he received his bachelor’s and undergraduate degrees. So I want to bring Dennis forward now to have him to come to you in his own way.”

Developing Performance Funding Goals and Metrics – Dennis Jones

Dennis Jones said, “Those of you who know me know that I cannot talk without a power point. What I have keyed up is not a set of answers, this is going to lay out some of the information that we are going to talk about today and I do not know how many more times. I will try to keep from wondering all over. It is kind of against my behaviors but I will try to stay anchored. What I am going to do is present some information that I think frames the conversation and says here are the kinds of choices you collectively have to make to get the requirements of 1503 and basically get it done by the middle of December, I think is the way I read the law. We are going to get into a conversation very early on here. When I talked with George and talk about the charge of this committee it is not about the total finance policy, total funding mechanism for higher education in the State of Illinois, it is about performance funding only. Everything else that goes on is kind of outside the conversation.

“The second thing is the point that we need to talk about probably because I read the law as saying it is not permissive that there will or will not be performance funding. It says thou shall have it by 2013, that it is not conditional on new funds, it is not conditional on anything the way I read the law. Representative Pritchard and Senator Maloney can disabuse me of that reading but it does not say how big the package has to be, how much money gets allocated on performance basis but it says that some shall be. Is that contrary to anybody else’s? I know that when one talks to the institutions they will quite legitimately in Illinois probably say we are already way strapped, how do we do this on top of everything else with no new money and we are going to have to talk our way through that one, but I think it is one of those things at some level 1503 requires. By the way, this is meant to be a conversation so on every one of these slides we can stop and talk. This presentation is not all that long. We just need to make sure that everybody’s points around each of these topics gets made early on. So let me just stop there and ask the question. Anybody have a point they need, want to make about particularly this second bullet?

Dr. Addison Woodward said, “I just want to point out you have detailed very carefully last August the financial straits of higher education and this rather lengthy report which became the basis of the financing public education act. It is here.”

Mr. Larry Frank said, “So in a nutshell what we are talking about doing in all likelihood is using a fixed pot of money and coming up with a formula to reshuffle it. Right?”

Dennis Jones said, “If there is no new money and performance funding is required then that is the natural extension of those two conditions.”

Senator Edward Maloney said, “In states that have implemented this already do we have examples of how that?”

Dennis Jones said, “How they have operated under those conditions? The one state that probably has done it best and done it under, not just no new money, it is less money, as a matter of fact, was Indiana. Indiana basically said here is the money you have, they allocated a fixed percentage on the basis of performance, so that there was some institutions got three percent more, some got institutions got one percent more, some got one percent less and then from the calculated performance increase they deducted however much the cut had to be. They rewarded performance first and then cut so that those that performed best basically got cut least. There are devices out there and I am going to talk about how do you kind of protect institutions on the downside. You cannot take meat axes to things, you have to do some of this more slowly and etc., but there are devices for doing this. In Illinois I am presuming if the Board requests to the legislature in the last few years, at least, has been kind of presented in step form that says here is a request X amount. One of the ways to this is to say, the first step is the size of the performance funding pool. We are going to ask for something that amount, allocate

that and if it does not happen then it gets, I mean there are all kinds of ways of setting the amount, and it can just be a fixed plugged number.

Mr. Timothy Harrington said, “I may not be understanding this completely, but are we talking about taking the existing budget, taking a certain percentage away from that existing budget to put into a pile that then is reallocated?”

Dennis Jones said, “Essentially.”

Rita Cheng said, “What has been the range that Indiana and other states have had...”

Dennis Jones said, “It goes all over. Five.”

Rita Cheng said, “It started out with five?”

Dennis Jones said “Louisiana, Colorado, the law says 25. Tennessee basically does 100 percent on the basis of performance. Now they have finessed that, but one takes a look at the Tennessee model and it is 100 percent driven by some metrics on performance.”

Elaine Maimon said, “Well I am going to speak now on behalf as the convener of the public university, chancellors and presidents, and I know that Wayne and Rita will chime in and correct me if I am not getting this right, but in our discussions of performance based budgeting and we are very much in favor of it, we believe that with great efforts from current General Assembly and people represented here given the economy and such we have all been living on what we think of as a survival budget and as we have talked about the performance based part of this, I think that your reference to the investment steps that IBHE has worked out is a very pertinent reference for the way it might be done in Illinois. We really believe that the way for this to work, giving the fact that in other states during the years of better economies, given various decisions in the then governor’s office higher education did not get the additional funding and given where we are now what we are really looking at is some way that it would motivate new investment and new money on the part of the state. Did I get that right Rita?”

Rita Cheng said, “Yes.”

Dennis Jones said, “Understood. What the good Senator and Representative can pull off with their colleagues is out of my hands, but I think there are ways to present this that make it more palatable than in other ways. Make it a more sellable package; let me put it that way.

Dr. Reid said, “Does everyone understand the step budget? Bob would you come forward a minute and just talk as you did last night at dinner with Dennis about the step budget and how this might play out.”

Dr. Bob Blankenberger said, “Well the investment level budgets that we have done in the last couple years is kind of the method that we could incorporate in the use of performance funding. So, for example, if we start with the lowest step being essentially no new money or even a reduction in money and then the next steps up being the steps that we would advocate that the Board would support, that others may support around the table, that would indicate either percentage increases at say two percent or four percent as we move up the steps so the investment levels that the Board would recommend would be in addition to the current dollars which of course would be the new money, but that the recommendations would also include the potential if no new money is available for that first step. So we would have to build into our recommendations the possibility of no new money as well as what we would like to see in terms of new money. Since we have done this the last few years this would not be a departure from the current practice of the Board.”

Dr. Reid said, “In other words, that the IBHE would recommend, as has done in the past, perhaps recommend steps and that among those steps is no new money or even less money according to the formula and the metric that we work out and then step two would be maybe level and then step three, four and five would be new money, but that we would submit that to the General Assembly and the General Assembly would then tell us which one of those the General Assembly is going to pass, as it has done in the past.”

Elaine Maimon said, “I think that what the presidents and chancellors, public university presidents and chancellors, are saying in effect is that in order to be in compliance with the law in performance based funding that we would respectfully suggest that even step one that IBHE would look at would need to include some new money. I think we are saying that. This is unanimous among the presidents and chancellors. We are aware that some institutions might actually benefit from a reallocation of existing funds yet we are all together in saying that in one way or another we have all been on survival budgets and that we would suggest that for performance based budget to work and for us to do it, we need even step one to have new money in it.”

Rita Cheng said, “Just as an add to that conversation, we were concerned that the reallocation would cut some of the various things that would contribute to the goals and the outcomes so it would be clear that if we did not have new dollars and we were reallocating the achievement of goals would be very much slowed down. I think we have to live with the reality that if we are going to be cutting our budget to reallocating, we do not have a lot of fluff in our budgets so it would be cutting some of the programs that would be contributing to the goals.”

Mr. Jay Bergman said, “I just think that we have to be realistic here. Obviously I am a supporter of higher education or I would not be involved in things that I am, but the state situation, as people in this room know it more than I, the state situation is that they do not have any extra money and they are not going to have any extra money probably for several years and while we have a good reason to have some extra money there are a

lot of other people, a lot of other institutions that are funded by the state, that also do. I think we are looking and IBHE is looking at the budget we have to be realistic. Step one, I do not think it is realistic that step one includes new money, because then we are putting forth a budget that from the beginning is perhaps not realistic given the current situation.”

Dennis Jones said, “The only thing I can say is that there are other states that are in the same boat and they basically by board policy establish how big the pot is going to be, that they are going to put into the performance funding pool. It is not driven by any formula. It is just saying we make a judgment that we are going to do this much and that amount can be greater or smaller in the board’s judgment depending on the likelihood of new money or at in some places when there is absolutely no new money the steps are not all that large, but the principle still stays in place and I think the principle is going to, has to stay in place just to keep you inside the law.

David Anderson said, “I am the student board member of IBHE. I just want to make the comment that I concur with, actually, some of the statements about the budget. The state budget which I am finance and economics so I look at this from, just personally having an interest in it, we do not have the money, but one of the questions I have and maybe you can address this. From a student prospective part of our agenda or the *Public Agenda* is to, of course, eliminate achievement gaps, socially-economically, racially, also adults, gender and disabilities. If we do not have the money and we put in a performance metrics one of my concerns is that if the agenda is to add access, what I think inevitably will take place is you will have those who are in the system will get higher scores, will graduate at increased rates but the access will be limited because how will institutions be able to operate, they will probably have to increase tuition in some way and if you increase tuition which we have already seen that rise over the past ten years in education then we inevitably limit access. I would just pose that question and say how has Indiana, how has Ohio kind of dealt with that.”

Dennis Jones said, “I am going to get to that.”

Dr. Reid said, “I will make a couple announcements, one is just a logistical one. We have the elaborate technology system but it is not working so we went to the old fashioned system of putting the microphone right there by the phone. Do we have any attendees to this meeting who are calling in by phone? Would you announce yourself and tell us who you are?”

Lieutenant Governor Sheila Simon said, “I am theoretically joining you but I am not sure that we heard too much of what has gone on so far. I am pleased to be part of the gang and Maria Cappocia and Sheila Chalmers from my staff should be up there with you in Chicago. We are very excited to be a part of this. We have an opportunity to really move things forward in the State of Illinois and I think it is dependent on us doing this particular job that we have to do right here on setting up these measurements and doing that job well. I am excited to be a part of it and looking forward, literally looking forward, to hearing more.”

Dr. Reid said, “We know how busy your schedule is Lieutenant Governor so thank you so much for sharing your time with us today and your members of your senior staff are here with us and we are glad to have them here with us.”

Dennis Jones said, “Let me just talk about a few basic design principles for any performance funding system. We are not going to talk about and come down on specifics but I think there are certain, kind of first principals to pay attention to all the way through this conversation. The first one is to align it, the performance funding system, with the goals as stated in the *Public Agenda*. This is part of the implementation mechanism for that *Public Agenda*. Just consistency is important here. Second of all, keep away from the notation that one size is going to fit all here, that there have to be different models or different parts of the model that apply to different kinds of institutions. So, research universities, comprehensive universities, community colleges have different metrics, different things, different ways in which they can “win” in this. You want to encourage mission differentiation rather than the race to similarity. Again, create vehicles so that you do not have to change your mission to benefit from doing your job well.

“To David’s point, there have to be provisions that reward success with underserved populations and we can have discussion about what are the dimensions of this that we are talking about, but importantly you have to be able to win or to benefit the state. The students have to benefit if those students that are harder to serve are served successfully rather than cherry picked and the only way you can win is to gain the system so that only those students that are most likely to succeed get a chance. There are multiple ways that states have built those protections into their formula for performance funding. You have to keep it fairly simple just because your friends in the legislature have to be able to explain it to their colleagues and the more complicated it gets the less likely, it loses communication value very quickly when you just cannot say what we are paying for is this, this and this and that is about it.

“You want to reward, you take institutions where they are and say we are going to reward you for making improvement. Some of the early performance funding systems basically said we will pay you if you hit this bar and most institutions took a walk because they said the bar is too high we cannot do it so why should we try. The principle of continuous improvement of regardless where you start is more important than you have to be so good at whatever. Again, you want to avoid metrics that can be gained. The law itself talks about rewarding degree completion and etc. I think uniformly performance funding mechanisms reward increasing the number of degrees awarded not the graduation rates because graduation rates are too easy to gain. In the states that have done that, one of the things that you find is that they operate on the denominator of the equation. They count fewer students which means that they improve their graduation rates by increasing selectivity and that is contrary to what the State of Illinois needs. We are talking about improving completions not rates of completion.”

Dr. Woodward said, “You can game it either way. If you want to increase numbers you just take in more numbers and the rates can go down. I think you have to look at both of those.”

Dennis Jones said, “But if you take in more numbers then you are providing more access by definition and so the point is that the way you really win, and we will talk about it in a minute, is to serve those students you take in, not just see how many you can take in.”

Dr. Woodward said, “I understand that.”

Dennis Jones said, “Okay. There are a couple of implementation principles that I think are worth noting. One of those and particularly in these times is to phase it in rather than see how big a bite you can take all at once. Other states, for example, say we are going to take two percent the first year, it is going to be four percent the second year, six percent or whatever you establish as the target the third or fourth year, but do not try to go to six or eight percent in year one.

“The second piece is probably more controversial. In Ohio is the state that has kind of developed this terminology at least, other states have now done it. Louisiana has done it, for example. It says that in the performance funding portion of it you cannot hold institutions harmless, you cannot say you do not lose at all if you perform badly. It does say that you can be protected against precipitous losses and so they do limits on how much you can be cut at any one time, but do not say no cuts. Because hold harmless basically defeats the whole thing and if you are going to do hold harmless then there is no reason for doing performance funding at all because you can essentially get rewarded for doing nothing. The states that have done stop loss, as I said Ohio is the primary practitioner. They basically say you cannot lose, Mike straighten me out if I am wrong, they say you cannot lose more than one percent the first year, two percent the second year, three percent the third year. At the end of five years, the stop loss provision is sunsetted. So you have five years to gear up and at that point the performance funding mechanism is fully operative. I think I am correct in the characterization.

“The third part of all of this...”

Dr. Reid said, “Can I ask just what year is Ohio on?”

Dennis Jones said, “They are like the second or third year of this. Louisiana in this year’s budget, interestingly, has a four percent stop loss so you can lose up to four percent.”

Dr. Reid said, “Is this their first year?”

Dennis Jones said, “This is their first year. The third part here...”

Timothy Harrington said, “I just have a quick question. So inevitably this creates a model of winners and losers because if everybody were to meet their metric and that money was from a pool that was collected from the budgets of the universities already then they would be just regaining back that money. Is that right?”

Dennis Jones said, “That is correct. And the third bullet is the one that engenders all the conversation and again we need to talk about because the pushback to performance funding is always, particularly around increasing the production of degrees, is that yes that we can always produce more degrees if we water it down, if we diminish the quality. The question then is what is the device that you have for assuring that quality is not diminished? The reality is that with or without performance funding that question should be on the table. The question is how good are the degrees now with or without performance funding? The quality assurance. Mechanisms need to be in place regardless if there is five percent money at stake or not. At the end of the day the faculty is the protector of the diploma or the degree. I do not know many faculties that can be pushed into watering things down for the sake of a small chunk of increased funding. That is just not their nature. There are also ways to say let us take a look, for example, at the opinions of employers, the opinions of the recipient institutions of transfers, etc. and ask the question -- is quality diminished? We can have endless conversations about quality. The best definition I have heard is one that the speaker of the house in Colorado gave me a few years ago. He said quality education is good preparation for whatever comes next. Quality third grade is preparation for fourth grade. But the important part of that statement is that quality is externally referenced. That it is dependent on the judgments of folks the next step down, the next step into the student’s future. It is employers, it is graduate schools, it is four-year transfer institutions, and faculty. There are ways to monitor this to put quality assurance on the table.

“Tennessee has long had a performance funding since mid-1970s. They have had a performance funding system with up to five percent. They are now 100 percent performance funding, but they hold a piece of it aside for the quality part. What use to be five percent was the only performance is now the five percent that goes toward quality assurance. There is again lots of ways to do this. You have to be cognizant, both politically and in reality that this will be one of the campus sticking points on this whole conversation.

Dr. Woodward said, “There is a principle I think that I would like to see here and that is the possibility that all institutions can succeed. I mean otherwise this is very cynical.”

Dennis Jones said, “Yes and they can, but if...”

Dr. Woodward said “I would urge that principle to be stated.”

Dr. Reid said, “Bullet four, bullet number four.”

Anne Ladky said, “Can I ask a question? When you say that five percent is set aside for quality assurance, could you say a little more about what exactly you mean by that?”

Dennis Jones said, “It is things like accreditable programs are accredited. That there are third-party looks at programs, etc.”

David Anderson said, “Just a little curious. How have those states implemented just the control for that? Is there a third-party that controls all the universities, that has internal controls to make sure that, as you speak of quality, as you speak the rates and such? Is there a third-party that handles the control part? The control, as you look at this funding measure, because if it is internal, if the institutions are in control, we are all bias towards our own institution. How is that?”

Dennis Jones said, “It is operated by the Board of Higher Ed. There is somebody that puts the mechanism in place. The Board of Community Colleges...”

“I am not going to read all of this to you. This is just a repetition of what the *Public Agenda* goals are. The point is that the goals are broader than the statute. That there are some things about economic development, etc. that are explicit in the statements of 1503. 1503 reads more specifically about degree completion and removal of achievement gaps. I have put this on the table to say and I particularly, number four, because experience in other states says that if there are not some ways that the research universities can be rewarded for being research universities then they tend not to want to play or they behave in ways that put them in direct competition with other kinds of institutions and those are competitions that they can win. They can just get, Champaign can be a 75,000 student institution and that is not the mission differentiation that you want. That is not the endpoint that the Board of Higher Education wants. So, you need to think about the breadth of the goals you are rewarding just to make sure that you have enough there to reward institutions with different missions. Because it is those institutions that have lots of juice in the legislature, etc. and you want them supportive of whatever you come up with, not fighting it.”

Dr. Frances Carroll said, “I think your point is well taken. I am trying to couple that with number two of insuring college affordability. I just do not feel that we have talked enough about how we can do that in order to get to number four.”

Dennis Jones said, “One of the things that I will say right now is that I do not know of a single state that has figured out how to take number two and attach it to performance funding. It is one of those conversations that is done in a very different way. It is done in the context of how do you limit tuition increases, legislatively or otherwise, largely otherwise in this state. What do you do with student financial aid programs, etc.? But I do not know how to really say you are going to get rewarded. We can have a conversation that says yeah if you keep and the difficulty, let me just go the next step. I am having the conversation in Colorado about things like this and when we

take a look at where students come from that go to different institutions, institutions of generally similar nature, one of the little problems is that students from one part of the state come from family incomes geographically that are one-fifth the family incomes from other parts of the state. Even if you say we are going to hold tuition down across the board, etc. access is 500 percent more affordable in some parts of the state than it is in others. At the end of the day it makes a very strong case for a state-based MAP program. That is the device by which family background, etc. gets evened out on the price side and there is just no way around that reality. If you said every institution has to be held responsible for affordability of the students that come to it, then the institutions in the southern part of the state have a very different set of problems than the institutions in the collar counties around Chicago, for example. The point I am getting to here is that performance funding is not the only tool in the toolkit. It is one and you have to be selective about what you do with it. What I have done is take the goals and said in the strikethrough I have said it is not the easiest thing in the world to do with performance funding, to maintain affordability and it is not the easiest thing to do, although and it is because the metrics are so hard in number four. It is not like we cannot do some of it, but there is no. How much economic development contribution do research activities of the University of Illinois contribute? Now there are states, Indiana, others, Texas..."

Dr. Reid said, "Would it be a benefit to us to digest what you just said? What you said in essence is that with performance funding we should concentrate on goals one and three."

Dennis Jones said "Yes and I would put on the table, I guess I would make the line through number four, a dash line rather than a hard line, because there are states, for example, that reward the research universities for increasing the amount of extramural research funding received or in this current day when there is concern about NIH and NSF money going away, then the question is have they increased the share of the funds from those agencies that they get from year to year. There is probably for the research institution some reason to do something like that."

Dr. Reid said, "So our main drivers are going to be one and three with a hyphenated line, dash line through four. That is the recommendation."

Tim Harrington said, "Dr. Reid I just have a problem with that then we are saying that number two is not going to be a guiding principle which is going to limit access which is going to go counterproductive to the mission of the law."

Dennis Jones said, "No. Let me get to how that is handled. Let us talk about the four-year teaching institutions and kinds of metrics that might be applied to them. First increase in the number of baccalaureate degrees awarded, not graduation rates but numbers of degrees and then extra weight put on some categories of degree winners. Let me just indicate how some other states do it. By the way, the list here is basically from either *Public Agenda* or the law. The *Public Agenda* explicitly talks about disabled, etc. In Texas the performance funding mechanism says you get a point if you graduate an

additional baccalaureate degree holder. If that degree winner is a member of an underrepresented group and they define underrepresented in multiple ways, basically students that are Pell eligible, so low income, students that start in developmental education so they are academically challenged to start with, etc. and some states do adults, so if you are an adult you are viewed as somebody who is less likely to graduate and therefore deserve particular attention. If you are member, however these are defined and you do not have to be all of them, your eligibility is established by any one of them then you count as if you were two graduates. It doubles the benefit to the institution for graduating a student in an underrepresented group and then if you get a degree and you are underrepresented group and you get a degree in a state defined need area and in Texas that is STEM, but it is also teacher education, health professions, a couple of others, you get counted again. Some students in the calculation are treated as if they are three degrees.”

Anne Ladky said, “Are we going to include certificates granted?”

Dennis Jones said, “I will get to the community colleges.”

Anne Ladky said, “No at the four-year institutions.”

Dennis Jones said, “We can. That is up for discussion.”

Dr. Santos Rivera said, “I am a Latino student, I am a returning adult, I qualify for financial assistance 100 percent based on need, I am academically underprepared. The institution would count me as one, two?”

Dennis Jones said, “If you get a degree, you get counted out as two, three.”

Dr. Rivera said, “So where is the reality there. It seems to me as another possibility for an institution to gain the systems, we got three when it is only one person.”

Dennis Jones said, “The point is that you want to over represent the incentive for the institution to be successful with students that are historically harder to serve. If they just are treated as one student then the institution has every incentive to take the easiest to serve students.”

Dr. Rivera said, “In many ways that is what some institutions already do. They triple count to demonstrate success or accomplishments. I guess what I am trying to base on my experience, how do you prevent something like that from occurring. I already, I have seen that happen and it is very easy for institutions to manipulate the data.”

Dennis Jones said, “I think, one of the pieces of this is that it is a lot easier to talk about characteristics of students who get degrees than it is everybody in the institution. I mean that is a more defined population right off the bat. If the data systems will not

support it then none of this matters. Part of this is about the capacity of the underlying data system.”

Anne Ladky said, “But isn’t it true Dennis that once you establish what the points are for then you are in a counting exercise, so that if the Hispanic male who is MAP eligible graduates that confers a certain number of points in the formula.”

Dennis Jones said, “Yes.”

Anne Ladky said, “So it reduces the disincentive to serve the hard to serve.”

Dennis Jones said, “Tennessee puts a 40 percent weight on that. Texas puts 100 percent. That is purely a policy variable.”

Anne Ladky said, “That is a question of how high a priority it is to close the achievement gap in other words. You can represent that in the formula.”

Dennis Jones said, “Yes and what it does is, because at the end of the day you say here is how big the pot is, here is how many points each institution has, they get a proportional share of the pot.”

Anne Ladky said, “So you could argue that in any given state degree attainment or certificate attainment is as high a priority as closing attainment gaps or you could decide it is otherwise.”

Dennis Jones said, “Yes and most states that have done this have decided otherwise. They put a premium on, and Ohio does it purely on the basis of are they Ohio grant eligible. So they do it on the basis of low income because their data system really supports that. Others like Texas have a much broader list. Tennessee and some others a narrower list, but they all have some characteristics that say we are worried about subpopulations that if we do this strictly on degrees granted would be left out.”

Anne Ladky said, “And would not perhaps challenge the effectiveness of the system going forward because you would be ignoring the demographic trend.”

Dennis Jones said, “And equally important, I think, in this conversation, it is really important to the student but it is also really important to the institutions that serve those students. I mean the reality is that those are the students that you have to work harder to help and so if you are successful with those students then that ought be noted.”

Dr. Reid said, “We are very close in principle to a goal. Very close. I want you to know that. What Dennis has talked about is increasing the number of baccalaureate as one goal statement, increasing the number of baccalaureate degrees awarded with extra weight given x , y , and z in the calculation.”

Representative Robert Pritchard said, “So Dennis let me add one other question. So is another goal course completion? We have not talked about that as, if you will, an intermediate step. You cannot necessarily increase graduation without increasing degree completion. The course completion, doesn’t that enter into this as a measurable?”

Dennis Jones said, “One can go there but that is a step that is much more typically taken in states that have a formula for the allocation of their base money. The community colleges do that here, four-year institutions do not. So it is possible to have the conversation that says for the allocation of the base amount you count credits completed rather than credits enrolled or some combination and again Ohio has come down and said we are going to give 60 or 80 percent weight to credits enrolled, 20 to 40 percent for credits completed or we one can say we are going to do it 80/20 the first year, 60/40 the second and etc. It is another one of those implementation steps.”

Anne Ladky said, “That you could graduate the rate at which you shift toward completion.”

Wayne Watson said, “A couple of things. One is a question of pipeline and just there are so many students in the pipeline right now who have the ability to succeed and I think we need to be prepared as educators to look at that realistically at either of the community college or university level and be prepared to invest and insure that those students are given the appropriate support, academic support services. That is one reality. Second one is...”

Dr. Reid said, “So Wayne could you. Therefore, go ahead with...”

Wayne Watson said, “And therefore it costs more money to educate a poor student than it does to educate a student who does not come from the lower economic quartile and that is a generalization but it is pretty much factually backed up. Regrettably in our country it is just a fact.

“Secondly, regardless of economic standing it costs more money to educate anybody who does not have the basic skills but yet we need to decide as a society do we want to go down that route and make education available to everybody at the higher education level. Germany, England and a number of nations have dealt with that issue and they still rustle with it. Some use it to divide, they use it for different reasons. It does cost more money. Where you are giving a university an extra credit or an extra point, clearly understand they get the extra point, but they are going to have to spend more money to get that student across the finish line.

“The next one is there is a risk for the university if we were to look at universities as tier I, tier II, tier III, tier IV, etc. then the university who is “tier I” what is the disincentive for them not to recruit, not to go after the student who is in the lower economic quartile, to not go after the student who does not have the support system at

home, but that student might even have some good basic skills, good ACT, etc. Where is that disincentive?

“Next one is the overall, it is going to be more risky for a university to go after the students where you get, as my friend over here stated, Santos, it is more risky for me to go after you in one way if you do not have strong basic skills, etc. We need to figure out. I get the extra point we also need to be prepared to give additional dollars. Pell grants are drying up, other funds are drying up and the real reason why students are dropping out, quite a bit of it, a significant reason, they do not have money to go to college and that is the one we said we were not going to pay that much attention to. That is that one that we said well we do not have an answer for that one. But the one we say we do not have an answer for is a foundation as to why students do not continue college, they do not have money, they do not have the financial support system. So even though I get an extra point I got a kid who is dropping out of school and it has nothing to do with his ability, his basic skills.”

Dennis Jones said, “Now let me say something that I should have said at the very beginning of this conversation and that is you have been operating for years on a performance funding model, but the world has rewarded you for enrolling students. That is the mechanism, but it is very much a performance funding model. All we are talking about here is not moving from non-performance to performance. We are talking about adding a couple of pieces to the performance funding mechanism that you have in place. And as the state money goes down and as you become more and more dependent on tuition, the reality is that the state dollar is going to be even more important on these performance metrics we have been talking about because you are going to have every incentive in the world to see how many students you can enroll and take tuition from.”

Wayne Watson said, “But that is the incentive for the university. I am worried about the student. We need to figure out how we get dollars to the student because that student has a 24 ACT, but yet if he does not have money.”

Dennis Jones said, “Believe me I understand that problem, but I also understand that is outside the charge of this Committee. That is the reality of what we are dealing with.”

Santos Rivera said, “But that is the reality that a lot of us, who have been involved in minority higher education for most of our lives, are confronted. It is kind of difficult for us to separate them.”

Dennis Jones said, “I do understand.”

Senator Edward Maloney said, “Thank you. George mentioned we are close, at least philosophically, to a possible metric relative to the graduation of disadvantaged students. You also mentioned that you have other components, for example community colleges, and the one that we have been dealing with a great deal is the developmental

education. Wouldn't these, even if it were different metrics, don't they transition well? In other words, if you had a metric relative to the success of the community colleges in dealing with academically at-risk students who need a great deal of remediation, if that is dealt with successfully then typically the metric that George mentioned as a possibility of graduating disadvantaged students, that connects to that then, correct?"

Dennis Jones said, "Correct."

Senator Maloney said, "So that would not be, in other words even though it would be a separate metric for the institutions, they have a different mission, but they would connect and achieve the same goal."

Dennis Jones said, "Yes and one can tighten that as well. Let me get to that."

Dr. Reid said, "First, before you go to that can I just add a point or two to Wayne's question. So on the Committee today we have Kim Hubbard who is the Chairman of Illinois Student Assistance Commission (ISAC) on the phone and also as Chairman of ISAC she sits on IBHE Board and she is hearing the conversations and understand that the performance funding law is outside of that charge with ISAC money, MAP, and so on. But there may be some nuance there that she could be thinking about. Anyway she is on the phone. There are some others from ISAC who are on the phone and with us in person."

Dennis Jones said, "One of the things, by the way, that Mike caught and got changed, in fact if you take a look at your hard copy, in a couple places it says Pell/MAP recipient, we have changed it to Pell/MAP eligible because the reality is that not all MAP eligible students are getting grants and so this broadens that definition of student in need beyond just recipient."

"On the research universities, again, change the set of metrics to something that is more mission specific to that particular kind of institution. Rather than just saying increase the total number of baccalaureate degrees which gives them incentive to get bigger and bigger and bigger, leave that one off for them and say what they get, how they benefit, is to better serve within the population they have, these underserved populations we have talked about. Second of all, pay attention to their doctoral education role and third, increase of research expenditures or funding from extramural sources. Again, re-enforces the missions for those kinds of institutions, rewards them for serving underrepresented groups but does not create incentives to see how big those institutions can get. They have enough incentive to do that just for tuition dollars."

"Finally, community colleges, this one not just degrees but certificates and increase the numbers of students that they transfer onto a four-year institution and one can change the number. Different states use different numbers. Some states have a transfer core of 39 or 42 credits that say once you get that and transfer it is counted as if it

were a degree. So it recognizes not just the degree completion but the transfer role of community colleges.”

Dr. Allan Karnes said, “I would like to see the number of hours limited on people who transfer from a community college to a four-year school because I think one of our problems is we get kids transferring over with 80 hours with maybe a two-year degree and then they get to our school and they have to take more than 60 because they do not have everything done that they need. We need to look at some way to limit the number of hours before they transfer or that they accumulate with the associate’s degree.”

Dr. Reid said, “Right now the hours are from 60 to 68 for a degree.”

Dr. Karnes said, “Yes but we might get them with a degree with 80 hours or not even a degree and 80 hours.”

Wayne Watson said, “Part of the answer to that is pretty much what Elaine is doing and that is when you have tight dual compacts with your local community colleges that addresses quite a bit of that and the more universities and community colleges have these dual agreements, the less you will have of a problem that my colleague is referring to, but I agree with him. There is that problem and that is because we do not have the tight compacts with our universities and our community colleges. The second point sir that you make and I really want to commend you on, if I understand you correctly, what you are saying is that not only for community colleges, but also for universities, students who graduate from university now will be counted. Think about that. That is unique because we have universities in our state where this magic number, first time, full-time freshman according to this antiquated IPEDS model that is the only thing that is counted. When IPEDS only makes up nine percent of your student undergraduate body then you do not graduate that many students, but the other 50 or 60 percent of the students that are never counted are now going to start to be counted.”

Dennis Jones said, “What this does is make sure that you count students that start as part-timers, students that take 12 years to graduate, students that transfer from some place. As a four-year institution all of a sudden you have incentive to transfer, to take more and more transfers, because in some ways you get to a degree in half-time if you graduate a student that transfers. By counting for the community colleges the students that transfer as successes for them too then both institutions win in this game.”

Wayne Watson said, “That is major. A couple of my sister institutions, both universities and community colleges are going to benefit greatly because they have been beat up historically in the press for never having graduated the numbers and they were graduating tens of hundreds of individuals but they never are counted. So what you have just done is just been a very positive thing for the State of Illinois. Thank you.”

Dennis Jones said, “To the point of articulation clearly, but like Governor State has done with its community colleges I hate to put any more ideas in Senator Maloney’s

head, but there are a lot of states that are basically legislating the criteria for articulation arrangements and they are just saying there shall be a transfer associate or transfer core that is common across the state. It is not campus by campus. That if you get this set of stuff you can take it to any four-year institution in the state. That is a little something for Bob to take on in his spare time. Let me keep going here.

“The second dash there has all of the characteristics that the four-year institutions have but it, I particularly focused on adults in this one because community colleges are particularly where the adults go. That is just the reality of their institutions. In Washington and some other places they also put into the funding mechanism for community colleges what they call momentum points. I have put one of them in here and that is the number, it kind of rewards for on-the-way kinds of progress, not at the end completion kind of progress. The one that they use, this is one, complete college-related course after additional placement developmental ed. So if you have to go through developmental English, get in and complete English 101 at the college level, you get a point for that. There are other points, Washington has six, one of them is, this is one, they get a point for completing 15 credits because at some point it becomes clearer that hitting certain milestones make up the likelihood that you are going to get to the end. Completion of 30 credits also is measured and then transfer at the end of X credits is rewarded, etc. The only thing you have to be a little bit careful of, particularly with the community colleges, the list can get too long to be manageable. You have to be a little careful about how you select these things.”

Geoffrey Obrzut said, “We have a number of students, myself when I was one as well when I was at Triton, I did not finish my associate’s degree I went on after 60 some hours and got a degree at Northern, but I knew all along that the associate degree did not mean that much to me because I knew I was going to get a bachelor’s degree. Will that be counted against our community colleges then?”

Dennis Jones said, “No because you count it as a transfer. You do not get credit if a student comes to a community college to take two courses over the summer and then goes to a four-year institution. That is not a transfer. You have to establish transfer so much before you can count it but that is why something that looks like a transfer core makes sense.”

Geoffrey Obrzut said, “And other states are doing that? Ohio?”

Dennis Jones said, “Yes, Louisiana. Ed I do not know if you know Ben Nevers, Senator Nevers in Louisiana, but he put this in place through statute, but the State of Louisiana now has a transfer core. Tennessee has a transfer core. Tennessee has taken it further and saying okay transfer core is 42 credits, gen ed that takes care of all, everybody but then they have negotiated the things that say oh if you get an associate degree you take those 42 and these 18 in business and it transfers into the business program. So they have also done it program by program by specifying the transfer 18 on top of the transfer core. They have negotiated that so that the four-year recipient institution, they have

picked on the ones that are the popular majors, business, education, psychology, etc. and they have worked out the arrangement. These are all faculty developed agreements, two-year and four-year faculty sitting down together and saying let us agree on what you can do at the two-year level, what we will accept at the four-year level so that a student that moves from a community college to the four-year institution does not get done in by the transfer process.”

Wayne Watson said, “The faculty to faculty articulation of courses, that is the only way to go and a number of the community colleges have been doing that for the last 10 or 15 years and have done an excellent job in the State of Illinois. A number of universities have cooperated with them. We concur with you on that. We do need to do more. My question is, not so much a question, but a comment, we do not want to devalue. If a student comes and takes two courses at a community college and transfers that is of great value because a lot of young men and young ladies use that community college as the door. Their parents say listen you go here to this community college and you take these courses and if you pass, then I will let you go onto a university. That is a transfer. That community college deserves to get credit for that. I just do not want us to not give that community college credit if they introduce that young man or young lady to higher education.”

Dennis Jones said, “The only, again, this is one of those things that can way too easily be gained because Terry’s institutions can sign up all kinds of folks that would be going to your institution in the fall and say come on over and let me do two courses for and by the way I win. There has got to be some kind of bright line here that says it does not count if you do not get so far.”

Rita Cheng said, “We are not trying to reward all good things.”

Francis Carroll said, “My question is really related to what we are talking about because over the last five years in the articulation of trying to attempt articulation between the community colleges and the four-year institutions, we have had a really difficult time and to get it coming to some kind of agreement on what is really happening. I was wondering that in your research did you find out what is the reason that we do not have a good articulation program. I think we met with Wayne when he was over the City Colleges trying to come up with a real solution for articulation. There has always been articulation but the articulation that we are talking about now is it going to be mandated and will it become a state law so that every institution will feel that they are gaining from the partnership and the relationship?”

Dennis Jones said, “What we are trying to do is create a vehicle that lets everybody win. The reality is that if I want to put my cynical hat on, which I am pretty good at, institutions have had every reason not to reward institutions for transfer. It is in the community colleges best interest to generate as absolutely as many credit hours as they can for every student that they see because that is what drives the revenue and there is no benefit to them for either graduating that student or transferring that student. What

the benefit is for them is enrolling that student. That benefit comes in the community colleges both through the formula and through tuition. They are both driven by..."

Bob Blankenberger said, "Illinois does have a transfer system, the Illinois Articulation Initiative. What we would probably do is have the student who completes the 37 to 41 general education core courses, they would be given a credit for that. That is how we could build this into the system. We do also have a major transfer initiative that we have been pursuing the last two years, it is nearing completion, so we would have 15 majors that have a similar set of core courses that transfer and the student could be given credit for taking that package of the GECC package. We would be able to incorporate this into the existing articulation initiative."

Dennis Jones said, "It fits with stuff you have already got going.

"Final point, these are suggestions. Boy, they are not recommendations yet. I put them out there so you can beat me up, but I think that it is at least worthwhile considering. Let me start with the second one. Certainly establish separate criteria for different types of institutions and one might even go so far as to say and you set up different pools for different groups of institutions. So there is a community college pool, there is a four-year institution pool, there is a research university pool, so that institutions in none of those can. I can, quite frankly, see that within these the easiest place to win big is in the community colleges. The question is do you create a mechanism that says they cannot get everything. I think you have to ask the question.

"Second of all there is always the conversation about who is a research university and states that have kind of gone this path basically do it by numeration. They just say if you are not this institution or that one or that one you do not play in this particular pool. I think there is reason to do that because otherwise everybody wants to play in every pool.

"Finally I think that there is reason to say you phase it in. I am suggesting three percent a year for four years. This is way open to conversation. Finally that there be stop loss provisions and I am really saying that over three years no institution can lose more than five percent in the process. One can also do it year by year saying two the first year, two the second, but never more than five."

David Anderson said, "I wanted to ask a question about, has geographics ever been introduced to performance funding and I say this because I see with a lot of my colleagues and of course, as you all know well, our parents that are more educated than us, which is very interesting and also have less debt. Say you come from the western part of Illinois and you are a white male or white female and you come from a low income family, then say U of I, for instance, incentivize in Urbana/Champaign to get that kind of student because of their socioeconomic status but Western Illinois may be an institution that can better serve that student and they would not be as laden in debt. Has performance funding or the other examples of states kind of taken that into consideration? Which would also affect Northeastern, which is predominantly Hispanic

serving and Chicago State Afro-American serving. Just taking into mind geographics and not limiting the student's choice maybe geographic can also..."

Dennis Jones said, "The only state so far, Colorado is going there but it is not there yet, because explicitly in the law that they put in place they talk about geographic and socioeconomic disparities. So they put basically where do you come from on the table as a requirement. The only other state that has ever done this and it is no longer in place, Kentucky established something that they defined as underserved counties, so they took a look at participation from different parts of Kentucky and for those parts of the state that were less well served by two-year, four-year, by the public sector and in any sector, they found 19 counties that they said we are not serving. What they did was they put that county, if you serve students, increase the number of students you serve from those 19 counties it counted for you. So there are ways to build geography into this."

David Anderson said, "Can I get that research? I would like to take that to our student advisory committee. I know it is not in here."

Dennis Jones said, "I will have to dredge that one up."

Michael Toney said, "Has there been any consideration given to tying into student access and success the hiring of minority faculty and staff because there is particularly as a research institution if you look at the data you will see that there is large correlation between student access and success with the number of minority faculty at these institutions. Are there any states that are looking at that in conjunction with student success?"

Dennis Jones said, "There are states that are looking at that, but none of them make that a criteria. I think that the reality is. I turn to the presidents but say look you got this much money, you got this set of goals you are pursuing and here are the ways you can benefit, you have got to figure out that you spend your money getting minority faculty and etc. because that is how you pump up the results. I just think, I would put out a general principle that performance funding mechanisms ought to talk about what is to be accomplished. The how it is to be accomplished is the purview of the institutions because every time legislatures or Illinois Boards of Higher Education, others get in the midst of telling institutions how to do their business they overstep very quickly. They give the institutions a reason not to succeed because the institutions say I just did what you told me. If the result was not what you anticipated they have no skin in the game."

Dr Reid said, "Come rest yourself a bit. I know you must be a little winded Dennis. Let us enter into a little bit of a round table discussion. What I had in mind here is after Dennis' presentation I have about three questions to ask you and then I am going to throw it open. We are on page 5 of his PowerPoint, the one on some possible components. Is there anyone who disagrees that these are the types of items that should be in a metric or goal?"

Timothy Harrington said, “Dr. Reid I just want to reiterate what I said earlier that at the four-year institutions we need to consider certificates granted as well, not just baccalaureate degrees because many, especially in the colleges of education students will come and get certified to teach and not receive an additional degree.”

Rita Cheng said, “Question for Timothy, would that be improvements in or increases in certificates because I think all institutions are in different places as far as their focus on undergraduate certificates versus degrees or post-baccalaureate certificate versus master’s degrees. I think we are all in a very different place and certainly disciplines like education certificates may be important but in other disciplines it is not a focus for institutions. I do understand where you are coming from, it is a milestone toward something but I also know that if it is not focused on improvements or increases that we all see as being critical to reaching the *Public Agenda* we may end up with a whole slew of certificate proposals for IBHE rather than better outcomes for students.”

Dennis Jones said, “One of the things that other states are doing is to basically say certificates have to be employer recognized which means that teacher certificates would be, because one of the things you see in particularly in a couple of states, you take a look at the number of degrees and certificates awarded, the numbers just go like this and it is because institutions have found ways to say ok let us take these nine credits and give a certificate and we are going to count and therefore we have another...one has to put some constraints on that or it is another way to hugely gain the system for the institutions benefit but does not help the student at all.”

Timothy Harrington said, “I absolutely agree that employer recognition of the certificate should be part of that metrics and in education that is what we do anyway. The state grants the certificate based on their completion of their requirements with no degree conferred.”

Dennis Jones said, “In the community colleges there are all kinds of IT certificates that employers recognize and etc., also legitimate.”

Jay Bergman said, “I do not disagree that the items here on page 5 should be some of the components, but I would just also say there are a lot of other things that we have talked about this morning and that we have not talked about that would also be components. These are important ones, there are also others that are important. That is I guess something we are going to have to...”

Geoffrey Obrzut said, “George can you try to get a consensus today on this as far...”

Dr. Reid said, “What I am trying to do is to point us toward the agenda for the next meeting.”

Geoffrey Obrzut said, “I would like to take this back to our system. I know our trustees and presidents are meeting in a couple of weeks.”

Dennis Jones said, “Like all processes like this we are going to cycle around three or four times. We are going to add some things, delete some things, state some things differently, but at the end of the day we will come out the other end thinking we are pretty close here and that is what I...”

Jay Bergman said, “In thinking of the different components that we have, it reminds me of, spent a little time on some different bank boards, and probably the most sophisticated bank that I was involved with, every employee had a metric for their particular position that basically said if you do this, this and this, this is going to have something to do with your year-end bonus and if at one point you were perhaps a personal banker, which is a little lower on the totem pole, maybe the weighted items on their metrics was how many new accounts did you open, how many CDs did you open, something like that. Whereas if you were a loan officer, the most important things, and they may have had seven or eight different items on that metrics, the most important things how many new loans did you get, how many paid on time, that sort of thing. If you were the president you had a different type of a metric. I guess what I am thinking is perhaps one to look at this as a methodology is to come up with 10, 15 different items such as some of these components here and we all know that we have every one of our four-year university primary campuses, all 12 of them, are different. Maybe we then take a look at the different campuses and we then look at our list of components, maybe 15 and for say the U of I at Champaign, that might be weighted towards the research subjects for ISU, Eastern, Western and the other universities we might pick and maybe even with a little bit of input from the universities, although they should not tell us what they want to do, maybe we should pick from these different components and then weight them according to what we are trying to achieve. Just a suggestion, but may be something for the next meeting might be to come up, and the community colleges would have a different metric because they are trying achieve something different. Maybe we should come up with a list of components for the four-years and for the community colleges.”

Dr. Reid said, “That is exactly what we are trying to do. Trying to get to the point where we are together on the broad picture and then give the staff the chance to work with Dennis to put together a document for your consideration at the next meeting.”

Rita Cheng said, “This is really a process issue that I mentioned to George and that is one thing that seems to me to be an important and useful thing and it could be just to take what we have here, the possible components, not that this is a consensus of this group or anything because I do not think we are ready for that, but could we suggest that people take these possible components back to their group, their institution or whatever and really start to talk about this and get some reaction to this, maybe get additions to these various lists and also raise the measurement issues that are inherent in all of these. For example, if you look at the research universities, there are no doubt, and this is not

my expertise, but there are no doubt measurement issues in one of these components, increase in research, expenditures of funds from external source, and so on and so forth. So while people are discussing this within the framework of the type of institution they are associated with, we could get both some feedback on these components and additions and we could get some insight to the measurement issues that are going to arise so that what we are really doing is charging this group with going back and doing that and getting some reaction. I feel there is a need for this group to be trying to include the perspectives of people who are going to be affected by this policy. I just suggest that as one element of the process and then I think all we really have to say is there anything that people would not be comfortable going out and asking about on this list of possible components or even the suggestions regarding implementation. Then we could feed that back into staff and that might help us shape some of the next steps.”

Senator Maloney said, “I agree and that this would help in establishing certain priorities if we went back. I would just like to go back to one of Jay’s comments early on about the situation laid out about finances, it is probably pretty accurate. From my prospective, at least philosophically, I do not really see given the fact that if we go along with Dennis’ recommendation that we just take a small portion of the budget, I do not see that, although every dollar is important, I do not see the dollars generating the change. I see the principle of generating the change that an institution is going to say hey here is where we are charged with making some improvements. I just feel that if improvement in achieving these goals as was set out in the *Public Agenda* is really the issue, I think it is important for us to have the principle established in some of these goals, at least initially and then if we see that it is working then we can, as has been suggested, take a bigger piece of the budget in the subsequent years to make the competition a little more real. I think the principle is the thing that should be driving this now.”

Dr. Reid said, “That is what I was going to try to develop between this and the next meeting, are the principles that we agreed on today.”

Larry Frank said, “Here I guess is the part that troubles me. What we are saying to the schools and to the faculty is in essence that we want you to concentrate on giving greater access and sort of fixing the educational challenges that some of our underrepresented groups have, nothing wrong with that, I think it is a terrific goal and something we should have probably been doing for years. We have also said that is the most expensive piece that we have inside the university and I guess I just want us to be honest about the fact that unless we think there is a whole lot of excess capacity sitting on the various campuses around Illinois that at some point that is going to shove the cost of this off onto another segment of students. That is okay, that is a state policy decision we can make, but I just think we have to be honest about it and understand that if we are going to increase access for certain kinds of kids and those are the kids that are expensive to educate then that money has to come from somewhere inside the system.”

Dennis Jones said, “At the risk of getting myself in trouble one more time. One of things is that they are more expensive if we do business as usual. Part of the

conversation around the country, a significant part, in for example, I will pick on Tennessee again, because it is kind of out there. They are finding some very cost effective ways to do developmental education. In fact it is driving, the fact that they have been put in the corner on some of these things, means that they are inventing new ways of doing business that are not only cheaper but are better. They are having better success with less expenditure of resources and it is true at the lower division in some courses as well. When you take a look at the Center for Academic Transformation and some of those things, there are ways of doing business that if you say, okay it is not just average cost going forward. Part of this is an argument for hey think about how you do things.”

Rita Cheng said, “I want to get back to the question of milestones. What I have thought about is how you affect an improvement in graduation and how soon you can see results. One year’s time is really impacting the current number of students who are at senior level in our institutions and we know that once students are at that point you lose very few of those. What kinds of things have other states done to reward the shifting of energy in organizations to get to the end game two and three years out?”

Dennis Jones said, “To the extent that the four-year institutions have gone there, they have done it as a transition device rather than as an end point and so one of the ways to do it is something akin to momentum points. Let us say okay let us reward institutions for the number of students that get to 30 credits, get to 60, etc. rather than wait till they graduate. They could also reward them for in fact taking transfer students as well as. Now at the end of the day you want to get that one out of the four-year reward system because they are going to benefit from taking students that are much more likely to graduate as well. Two or three years out you say okay you are not going to double dip here, but in the short run we can go there. Does that make sense?”

Rita Cheng said, “Yes it does, it helps.”

Elaine Maimon said, “Thinking back on what has been said so far. What Senator Maloney said about the principles I think is very important to keep in mind because some of the actual performance measures are going to take some time to come about in terms of our seeing the results of something, like in our case, the dual degree program and how many of those students complete. I think establishing the principles is a very important first step and not rushing to judgment and I think that also fits in with the idea about the whole funding model. Seems to me that in year one if there were to provide some incentive for these new ways of thinking that Dennis was talking about and for use to be looking at cost-effective ways to do remediation for example, cost-effective ways for us to achieve these goals. I think that is something I would like to see built in because I think it is the new ways of thinking that are really going ultimately to have the results.”

David Anderson said, “Dr. Reid, this question is for Senator Maloney. Is there, in the bill for performance funding, any provision to, in three years, to amend or look at what we put in place. I am just curious about that just because, my limited experience, you have a lot more wisdom than I do I am sure, but this looks like it is going to have a

project management effect. In two or three years we are going to see what the results are and then there are going to be some things that will be overwhelmingly like this needs to change and so I am just curious about that because trying to put everything up front...”

Senator Maloney said, “I do not think there is anything in the bill that states, but I think that would be just a natural kind of thing that would take place in the General Assembly. That if we found something that was not working properly it would...get back to idea the wisdom thing, do not worry about it.”

Representative Pritchard said, “I would just add to that the Board of Higher Ed recommends to the legislature a budget every year and that is where they can modify these performance metrics and change how we establish a starting point.”

Anne Ladky said, “Just on Elaine’s point, I think there are a number of things to make this transition work and to ultimately go beyond this funding level because I think the research is showing that at some point this low funding level does not really drive the change we want, but I agree that we should start with the principles and get started. I actually, I think it is our experience that there are more good solutions out there for challenges like remediation and transition into college level courses than are actually being implemented and some of that has to do with time and resources, but some of it has to do with a lack of an incentive for those changes. Hopefully, I would that, within IBHE within ICCB we would focus more attention on providing those kinds of models to the colleges and providing some support to help people get started on them. The sort of what do I do on Monday morning problem that we have had with bridge programs and other kinds of effective remediation strategies. I think that says something to those two bodies about what their resources need to go to in order to really promote this. We also as Wayne said have the whole issue of support services. There are also I think better delivery mechanisms for support services than we are using right now. None of those things are easy to do, but I think we do lack in the state the incentive to get people to really focus on that and we are trying to change the way we do business. I hope we do not let any of that stand in the way but we do not ignore it either and that we try to figure out maybe in the short run where our some best practice issues that those bodies could come in and really help with right away to start to move these completion goals.”

Dennis Jones said, “I think that if you were to ask, particularly in Tennessee where they have been at this for a very long time and take a look and talk to the people who have operated under this, the reality is that for good leaders this gives them a lever that is very very important. What it does is give them coverage back home. There are presidents that say I know I need to do this but if there is a reason that I need to do this, they can go back to their faculties and others and say there is a reason now. If we put our shoulder to this wheel we can in fact all benefit. There are set of institutions that will try to game it and no change will happen, but there are some and the majority that will benefit because the principles mattered and because there is alignment of some things.”

Wayne Watson said, "I do not know if I am reaffirming what you said, I know I am reaffirming what Anne said. We have done this for 20 years now, but the whole performance based funding I think somebody said it, a number of us educators do this not for funding. We do it because it is the right thing to do. We take the risk with the students that we educate, those students at that level that no one else wants to touch because it is the right thing to do. The funding is nice, yet you get it, but we would do it even without the performance based "funding" and a lot of our presidents at these universities and a lot of the presidents at the community colleges, I just do not want us to miss this. So maybe I am just stating the obvious. A lot of them are already doing it for the right reason, not doing it for an extra dollar. If you did not give us any extra funding we would still be educating the students that we are educating, we would still be taking the risk that we take and I just think that needs to be stated."

Audience Member said, "Just had a quick question for Mr. Jones. In the context of talking about incentives and new ways of doing business for universities in an environment where there is no additional funding. I just wondered if you had any thoughts on the Virginia model of performance based accountability where essentially state asks are met by institutions in return for less in regulation upon campus operations."

Dennis Jones said, "Good idea, badly implemented because the number of metrics that got applied to it were just outrageous. They served to defuse the conversation and since I was sitting in the room the day the list of state asks were put together with the Governor. We could not reduce his capacity for how long that list could be. The reality is that whole conversation started because three institutions wanted tuition freedom. That was the real agenda, can we promise some things to get deregulation. They got deregulation around a lot of business practices. They did not get deregulation around tuition setting that was the objective that they entered this conversation with. There is no place that I can find where a compact has worked which is what that is because it is always you give me this right now and I will promise to give you that in the future and it is, the I will promise to give it to you in the future part never comes to pass. There is no penalties in that process for not doing your end of the deal. Colorado had that historically, did not work. Washington tried it. It was so bad that it never even got implemented. The conversation derailed before it ever got put in place."

Adjournment

Dr. Reid said, "Our next meeting is September 28. It is going to be here. President Maimon and Chancellor Cheng are talking about whether or not they have it in Carbondale or here, but we think it is going to be here. We will confirm that with you. We are transcribing this session. The transcript for this meeting goes up on our website so you can see what we said in the July meeting and then you will be able to see what we said in this meeting. The 28th is our next meeting here. We probably are looking at confirming the statements that will amount to the first cut of our principles or goals or whatever you want to call them. Cutting that information to us off about ten days before the meeting, so between now and the 19th of September I would ask that you would reach

out to your people, go over with them what we talked about today, some of the ideas that you know we are close to agreeing to, about enrollment and the different elements that we will be trying to put into some type of metric formula and if you have anything that is something that we did not talk about or that you think we do not need to miss in editing and working up something for you to review at the next meeting. We will give it to you before the next meeting, but we will talk about it at the next meeting. Get it to me before the 19th of September. We will try to work that into the document. We are going to be meeting with Dennis Jones, our staff back there Don Sevener, Bob Blankenberger, Al Phillips, Candace Mueller, Karen Helland and Arthur Sutton. All of us will be meeting with Dennis along with Linda Oseland and we will come to you at the next meeting with the first cut of our principles for performance funding.

“In between that and the October 24 meeting, which will either be here or in Carbondale, we will meet with the Board on the 4th of October. We will meet with the Board on the 4th of October because the legislation says that this is the business of the Board of Higher Education. The Board of Higher Education is going to receive our recommendation and then take action. So when we meet with them on the 4th we will have all kinds of cautions that this is the first draft, and all of that and the Board will understand. We will present that whatever we come out of that meeting on the 28th with, we will present that to the Board on the 4th as a first cut. So that is how we are going to move forward. Then on the 24th if we get any feedback from the Board we will have it to you on the 24th, I mean before then, we will have it to you before then so that you can chew it over and we can come to grips with what the Board feels we should be looking at in addition to what we have already looked at and things like that. That is how we are looking at going forward. If there is any dissention to that I want to hear it now if you think we need to do something differently, but if not, that is the plan.”

Jay Bergman said, “George I hope you are kidding about Rita’s campus, but in any event there are some folks here that are not from the Chicago area. I am. I like this place because it is an easy drive, but I just mention if there is a desire of the committee I would make the Illinois State University campus available for a committee meeting also. Outside of the Chicago area it is probably the easiest one to access. Just a comment.”

Dr. Reid said, “What we determined as a group at the last meeting was that we would have at least one meeting a community college and at least one meeting outside of the Chicago area. There may have been something else we said, but I cannot remember. Those are the two things, so that fits into that.

“You have heard our plan for the next meeting. Keep the 19th in mind. Get your information to us before then. Linda is there anything before I close?”

Elaine Maimon said, “George, can I just say that in terms of lunch there is still some fruit and bagels over here for those of you who want to be efficient about it, but our cafeteria is just right down the hall. It is really very good especially the soup and salad

bar and we hope that you will have some lunch and enjoy the beautiful view of the lake and such. We are very glad to be hosting this and seeing all of you together.”

Dr. Reid said, “Anything else for the good of the order? Meeting adjourned.”