

MINUTES
PERFORMANCE FUNDING STEERING COMMITTEE
November 30, 2011

A meeting of the Illinois Board of Higher Education Performance Funding Steering Committee was called to order at 10:30 a.m. in the Center for Sustainability and Innovation at Richland Community College, Decatur, Illinois, on November 30, 2011.

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

Welcome and Introductions

The following Board members were present:

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| Allan Karnes | Addison Woodward |
| Elmer Washington | |

The following Committee members were present:

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| Abbas Aminmansour | Geoff Obrzut |
| Jay Bergman | Honorable Bob Pritchard |
| Rita Cheng | Tom Pulver |
| Larry Frank | Honorable Chapin Rose |
| Honorable Naomi Jakobsson | Gayle Saunders |
| Elaine Maimon | Julie Smith |
| Honorable Ed Maloney | Dave Tretter |
| Mike Monaghan | Wayne Watson |

The following Board members were present via telephone:

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| David Anderson | Santos Rivera |
| Frances Carroll | |

The following Committee members were present via telephone:

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| Tim Harrington | Jerry Webber |
| Elaine Johnson | Scott Parke |

Dr. George Reid said, “Many things coming together, with direction and a road map to move forward. So we began almost six months ago on a sweltering day in July, and now we are at a crisp, cool day at the end of November. Almost six months, trying to exceed to the requirements that were set forth in House Bill 1503 that was submitted by Representative Chapin Rose, authored by Rose and Ed Maloney and others requiring the State to turn to performance funding as a result of a Finance Study Commission that said

that the way we were funding higher education in Illinois would not allow us to reach our goals as effectively as we could if there were another way of funding higher ed and suggested performance funding. After that the Illinois Board of Higher Education approved a new *Public Agenda* with the help of and Dr. Dennis Jones and many of you in this room which stated about the same thing; that we had two States of Illinois. And you have heard all of this and that we need to close the gap between the two states so we would have one Illinois going forward and a State that was poised for better economic future than the one we have today. And so we are here today to do a couple of things that may take us a couple of hours.

“One is to make certain that the principles upon which we have based our work are all inclusive and ready to go to the Board of Higher Education. House Bill 1503 required the Board to establish this committee and it is a requirement of the Board of Higher Education to approve the performance funding part of the model.

“The second thing that we are here to do today is to review for a final time the details of the model for performance funding. I wanted to say this though, that this performance funding activity is certainly a work in progress. I want us to view our work as ongoing refinement of this project. I think that what I have read in the prevailing media journals about performance funding in higher education is that states are trying to do it once and for all and put a stake in it and say this is what it is. But the states who have taken a view that we can always go back to it and improve it and make it better are the states that have been more successful. And that is the posture that I want us to have. So, it has been quite a ride; the ride is not over. We still have a few more miles to go. It reminds me a little bit as Candace was drafting my notes for me today, this was cute, I thought I would say that it reminds me a little bit of when the kids are in the car over the summer or taking a road trip to vacation on Thanksgiving day. The kids are like mom and dad, are we there yet and the answer is no we are not quite there yet. No, we are not quite there with performance funding but we are well on our way. We have made a lot of progress. So one of the first things I want to do is to introduce those of our colleagues who are on the phone. So those who are joining us by phone would you let us know who you are and go around that phone table. You can start now.”

The group introduced themselves and their affiliations.

Welcome – Gayle Saunders, President, Richland Community College

Dr. Reid said, “Thank you everybody. As we sit here today we are at one of the finest community colleges I think in the country. We are grateful to be hosted by President Gayle Saunders who I would like to offer her the opportunity to say hello too.”

President Gayle Saunders said, “I will come up here briefly so I can give you a brief welcome. Good morning, I am Gayle Saunders and President of Richmond Community College and I have been President of Richmond now for a little over ten years, so it is a wonderful facility that you are sitting in today as well as a beautiful

campus. We are very proud of Richmond Community College and what it is doing for our community. We are part of an eight county region and we are involved with about 8,000 students that walk through our doors every year and probably 7 or 8,000 more who are participating in workforce development activities. We have a little over 40 applied associate degree programs on Richmond's campus now, over 90 certificates and we have five associate degree programs that transferred to our sister and brother universities. So we are a pretty active place. We just recently moved our career and technical academy from our region to Richmond Community College's campus. So we are now heavily involved in dual credit activities with our area high schools, and we know that that is going to be growing even more as we move forward together. We are also taking a look at an early college high school that we hope will be at Richmond Community College somewhere down the road as we continue to partner with our area high schools to manage a program like that. You are sitting in the Center for Sustainability and Innovation at Richmond Community College. We have had this facility open now for about three years. You saw our innovation signature as you drove in—our wind turbine which we are really excited about and very proud of. That wind turbine provides all of the energy needs for this building that we are sitting in right now. This building is a certified platinum lead facility. It is the highest level certification you can receive, and it is the first one at a community college campus in Illinois. We also had the first wind turbine on a community college campus. I believe there are several more since this one has been erected, but we are really proud of the facility. This laboratory that we are sitting in right now is our innovation's laboratory. It has been prepared to be very flexible as you can see that there is a variety of ways we can move the facility. It has all the natural lighting. It has recycled carpeting. It has environmental friendly paint, all of the aspects of things that you need. The technology that is in this building is equipped to move and be part of the smart classrooms that are in our laboratories on our main campus so the innovations that occur in the facility or in this laboratory can move back and forth between our CAD labs and those kinds of things. In fact we had a demonstration not too long ago of the students that were in here doing an entrepreneurial design activity and designed a product that went over to the CAD lab. The CAD lab students then took the product and simulated it, and then they were able to manufacture it eventually to be useful for one of our area industries. So it is a very exciting facility. As you saw across the street, the main campus is across the street, we are part of 155 acres and if you go straight east you see the home of the farm progress show. We are the super bowl of agriculture every other year with Progress City being an 80-acre open laboratory for not only our students but for our community. It is the largest trade show for agriculture in the world that is here every other year. We have 500 companies that are engaged in that activity and 52 different countries that were represented here in August as part of that show. So, it is a really exciting activity for all of us. Right next door as you were driving in you saw something else that was under construction. That is going to be our National Sequestration Education Center. We are in partnership with Arthur Daniels Midland who is just a mile south of us and obviously is our global agribusiness partner in the world and they have partnered with Schlumberger Carbon Services and with Geological Survey to start a sequestration project. They are going to be injecting CO² off the ethanol plants from ADM about 7,000 feet into the surface and that surface of injection is going to be

here on Richland's campus and so the National Sequestration Education Center is going to be the home of the first sequestration technology degree program in the world as well as a variety of other activities that will be in real time as we look at carbon capture utilization and storage for the world. And so it is a project that is being funded through the Department of Energy and through Archer Daniels Midland. After the five-year project they expect it to be commercialized and taken around the world and we hope that our students are going to be a part of a very exciting new career activity in renewable fuels and energy.

So welcome again to Richmond Community College. We are going to have some conversation about this building and about some of the energy activities that we are engaged in after the meeting today. So, if any of you want to stick around and participate in a conversation with some of my staff about how this building operates or our geothermal system that is also part of this. Please hang around and we will be happy to talk with you about it. Thank you, George."

Dr. Reid, "Thank you so much, Gayle, thank you so much for your warm hospitality and all of the good things that you have for us today. To get us to this moment I was just thinking as Gayle was talking that Rita Cheng at SIU and Elaine Maimon at Governor State hosted us they set a high bar and so Gayle came right up to the bar I can tell you that. The other thing I was thinking about is that our three hostesses have been all lady presidents. So maybe we are going to have a late January meeting and maybe we will have it at one of the other campuses.

"Normally at this juncture in the agenda we would turn to our legislative gubernatorial leaders who are members of this committee but today I have asked them to reserve their thoughts until the end and in that collection we are joined additionally by Representative Chapin Rose and Representative Naomi Jakobsson who I have asked to give us some words of wisdom and guidance about where do we go from here. And also, at the end of the agenda I am going to introduce Dr. Larry Isaak who is the President of the Midwestern Higher Education Commission who is here to join us and we wanted him to be here, just to give us some idea of how this all fits in midwest activities. We have received quite a few position papers from you. Al Phillips will go into some detail in a minute or two. But we have taken them all very seriously because we want you to know that when we receive them, we go through them with a fine-tooth comb, and we try to include as much as we can from your ideas into how we go forward and what we are going to present to the Board. You will probably see your comments in Al's presentation which he and Dennis will get together to make in just a few minutes. But if there is any one of you who has submitted the papers who wants to make one or two minute comments that will somehow summarize your idea now is the time to do so."

Summary Comments from Authors of Position Papers

Dr. Abbas Aminmansour said, "Thank you for the opportunity. We submitted two statements from the faculty advisory council the most recent one being just a few

days ago. In our first one, we emphasized that performance based funding should be associated with additional funds beyond the base budgets that the institutions have. This was the basic point in the commission for the study of higher education and I believe I brought this up earlier a couple meetings ago that Senator Maloney and Representative Richard ? if that would be appropriate for us to emphasize and they felt that we should so I want to urge us to very, very strongly make the case that any performance based funding should be based on additional funds rather than based on the budget. In our most recent letter that we submitted we requested that we come up with criteria initially that are very basic not complicated and hopefully not causing any unexpected undesirable consequences so that we hope that we start very carefully and continue to monitor the situation, continue to improve the metrics that we put in place. Also start small percentages and then build on that and that we recommend that there be a mechanism to continue to monitor a group or ask this group to continue to monitor this situation and make improvements on our metrics and procedures and whatever result we get to a point where we feel things have relatively stabilized.”

Dr. Reid said, “Okay, very good. The January meeting is the beginning of that constant, continuous review of what we have done. By that time, the Board will have met and given us some guidance as to how we go forward with this and then we can meet again to discuss some specifics about the Board’s action. The two minute papers that we received here, does anybody else want to address.”

Dr. Allan Karnes said, “It is hard to talk about what we did in two minutes so I will summarize our work. Dr. Cheng and myself put together an on-campus group that included faculty, many people from the advisory staff and our transfer people and we engaged that group to look at the data and to try to produce metrics that would go along with the goals of performance funding to increase completions. At the same time, recognize that different schools have different missions and to try to keep it simple if we could. But we ended up with seven sets of metrics for four-year schools and five sets of metrics for community colleges. What we tried to emphasize was degree completion or completions by students, whether it is degrees or in the case of community colleges whether it is transfers. One of the things we concentrated on or we tried to get a handle on was to shorten time to degree. We did not want to work with IPED’s data because of their inherent problems in that they do not measure very many students so we chose to go with credit average earned per degree. So at the four-year level, we propose that we reward schools who are able to graduate students with a four year degree with less than 144 hours. Now how did we come up with 144, it is kind of just 20 percent over 120 and that is because we cannot control a lot of these things. Students change majors, students change schools and they lose hours. But there are some things we can control. We can control how many hours we require for an undergraduate degree. We can also put more emphasis into advising students so that they make better choices of what kind of major to enter into early in their academic careers. So by doing those kinds of things we should be able to cut down on the number of wasted credit hours that students end up burning up their financial aid. And we should be able to produce more students with degrees. Now when we move to community colleges we employed the same types of measures. Our

transfer people, what they said they had seen, are students who come to us transfer from community college or from another four year school with lots and lots of wasted credit hours. Hours that they took at the community college that are not going to transfer because they simply do not go into the degree program that they choose to enter at the four year school and things that kids do like earn an additional A.S. degree. It does not do them any good if they intend to transfer. The only reason you would get an A.S. degree is to transfer. That is what it was designed to do. So, we would recommend at the community college that if a transfer-in with less than 72 hours and an A.S. degree, and only one A.S. degree, that the community college should get rewarded for that because they are doing effective advisory at that point, they are moving those students on through the pipeline. We have other recommendations such as transferring with their G.E. curriculum done, which generally takes 38-41 hours, and, is articulated with all four year schools in the state. In other words, if a student does not want to earn a degree they just want to take their G.E. hours at a community college and then move to a four year school to complete their degree. This works well for students going into technical fields a lot of times because the technical degree has very few options for them as far as classes that they can substitute in for other classes. So, if they transfer in with all their G.E. done, less than 50 hours and no degree, they get credit for that. Likewise if they simply transfer to a four year school with less than 36 hours per academic year spent at the community college even with no degree the community college gets credit for that as well. Similar measures apply to the technical associate's degrees which generally take 70-72 hours sometimes 74 hours. If those students transfer with less than an excess of 20 percent in credit hours and into a program that there is a 2+2 articulation risk, then they would get credit as well. This would give the community colleges incentive to enter into those 2+2 agreements for the A.A.S. degrees that they bring. Now we run into a lot of these problems with our transfer students and I think, and you may correct me if I am wrong, but I believe we take the most transfer students in this state at SIU and so we see this every day. And so if we emphasize only taking the courses you need to take at both the four year schools and the community colleges, we can move these kids through the pipeline quicker and we can make it more likely that they are going to graduate before they run out of financial aid and are unable to finish their degrees or start families. You know, once they begin to be 24 and 25 years old a lot of them are tempted to enter the workforce without their degrees, and we lose a lot of those kids across the state. Now that is not all we talked about and I am way over my two minutes."

Chancellor Rita Cheng said, "There was one whole meeting where we talked about the quality as well and the big benefit of having a campus life conversation about this and having a committee on the campus was that we were able to bring these issues to our faculty and staff rather than having them read it in the paper or listen to a speech that I could make and they feel more comfortable with performance funding, and we feel that there are qualities indicatives in place through accreditation program reviews and faculty oversights that performance funding should not evoke quality. In fact it should be another dimension of that."

Dr. Karnes said, “A lot of the ideas we got came from our on-campus group. We actually gave them a problem and got back their suggestions. It was a very good process.”

Dr. Reid said, “Excellent. Does anyone have any questions for Dr. Karnes or Dr. Cheng?”

Dr. Elmer Washington said, “How long did it take for you to go through this process?”

Dr. Karnes said, “We started when we started the process.”

Honorable Bob Pritchard said, “Could you justify your statement in there that quality can be measured in part by full-time versus part-time in faculty.”

Dr. Karnes said, “That is an idea, and, that idea actually came from the Faculty Advisory Council. They felt that if you see a school that is going from a 70-30 mix, all of a sudden they are 60-40, of full-time, part-time, that that could have an effect on quality.”

Chancellor Cheng said, “And, we see it every day if you have a number of part-time faculty to get the sections of the same chorus it is really hard to have a quality control over that versus having one faculty teaching all sections. They have a better sense of what is going on and that all students are getting similar experiences and that the review process of faculty, is a sound when we have a blend it is good, that we tip over.”

Dr. Abbas Aminmansour said, “Could I follow-up on that? The issue of quality full-time versus part-time, faculty restructures in general are expected to do more than just go to the classroom and teach. Full-time faculty make other contributions that part-time faculty are not expected, it is not part of their contract. Also when you have a lot of turnover, serving on committees, doing research, advising students, things like that, those are things that regular, full-time faculty are expected to do but part-time faculty are not. So they just come, teach their courses, and go. Also the continuity of teaching the same course on a regular basis as opposed to coming in for a couple semesters and then another person teaches that course, the quality of the course, quality of instruction changes. I am teaching a course for the first time this semester and I can tell you that I do not meet my own expectations this semester. It is very normal when you teach a course for the first time or even the second time you do not teach it as well because you are still putting your thoughts together, you are organizing the course. You do not get the same quality that you would once you have taught the course repeatedly for several semesters. So, continuity is important. Quality experience that faculty have. The research aspect that they bring into their teaching that is also very important. My own research is primarily based on my teaching and it goes back to my teaching. I think the relationship is very significant. But you cannot get that necessarily from part-time faculty. It is not their faults. It is just that they are not in a position to offer the benefits.”

Dr. Karnes said, “Abbas, one other thing. I think you are more likely to find with a full-time faculty member, they are there and available to meet with students nearly all the time. Whereas a part-time student, they might be on campus for an hour before their course and then they may go do their own job. And, so students can have a tough time meeting with that person.”

Dr. Reid said, “And you could not make it without adjuncts and part-time. No, and they do a good job with what they are expected to do. But this other part that you all have been expressing is so important.”

Dr. Addison Woodward said, [inaudible].

Dr. Reid said, “The point that Dr. Woodward is making was that there has been a study and he said he could not recall what the study was but he would continue to look for it and get it to us. If he had students had full-time faculty members that their retention rates were higher with full-time faculty.”

Mr. Larry Frank said, “Let me just speak if I may. We worked on that together and certainly we are concerned with the general under funding of higher education; that is kind of a separate issue I think from what we are addressing here. You are all very concerned about the possibility of using the IPEDS data, IPEDS not being a sufficient data base for the kinds of thing we would like it to do for performance funding. One of the concerns with this IPEDS data is just what it looks at. I mean it essentially is my understanding that it basically measures the student that comes in the door as a freshman and then that is kind of it. You do not get the richness of data that you thought you should have when you do momentum points, what it is going to give you in the first couple of years. So, initially the driving success for students with dead-end jobs. It tends to look at that first time freshman and that was about the only measure you got. It does not show you what happens four years later. It is just the limit that the data puts on.”

Chancellor Cheng said, “IPEDS for retention and graduation measures only first time, full time, all the time full time to graduation so institutions, many of our institutions across the state have transfer students, have part time students, who are not captured in all IPEDS. So, it is a measure but it is not a broad measure of quality. Other measures that are captured in IPEDS are really input measures that are perhaps connected to the quality output but maybe are necessary but not the total package and what we were talking about full time faculty. The research shows that full time faculty correlated with better success but just having full time faculty we are not engaged in their profession would not do it. But what Abbas and Al and I are describing is clearly that full time faculty is on campus, they are engaged, they are in their profession and there is continuity. So there are other measures in IPEDS that I think are important for us to consider but they are not the full deal.”

Mr. Frank said, “So, I think with us it is more the limitations that IPEDS puts on with the measures than with the data itself. I mean it is been around a long time but it is just limited. We certainly have talked a lot about.”

Dr. Reid said, “I am not so sure what AI was going to suggest along these lines yet but we need to have data.”

Mr. Frank said, “Well, let me tie that to the next piece. We talked in here about maybe needing more time and it may be moving ahead. Now we would like to continue the study. We also understand the fact of the matter is that there is a law that says we are going to have this in place next year. Personally, the notion of having a body in place that will continue to refine the process and monitor it over time, I think is good. And, that may speak to the whole business of the longitudinal system and switching over as we move forward.”

Dr. Reid said, “Larry, I look upon this as being the body. It will continue to refine and monitor.”

Mr. Frank said, “Alright and I think essentially that is what we have said in here. Thanks.”

Honorable Chapin Rose said, “Let us look at the fall down on the measure or perspective of 20 percent overage for four years, and by the way, I appreciate the fact [inaudible]. Too many college folk’s families [inaudible], obviously they are going to be in a different category for a good cause. The four years I challenge a little bit; 20 percent is a little high. I switched my major three times at U of I. I wish I would stuck with finance now looking at how much some of these bankers make. Some idiot got in my head and told me to go to political science. I switched three times and I still had nowhere near 20 percent overage. I switched in freshman and sophomore when it was really still general education, so but to me that seems a tad high.”

Dr. Karnes said, “You know the 20 percent that is not a magic number. We kind of picked that out of the air. So I think that number could be a different number than you find.”

Dr. Reid said, “The issue was that a lot of colleges and universities have degree completions that are 20percent above what we would like to see. In other words, 124 hours and we would like to see it back down to 120. And, that is what we are talking about.”

Mr. David Anderson said, “I just would like to speak about that. The ISAC committee would be meeting this Saturday and I can weigh in on that from the entire groups perspective but I would say that due diligence is kind of the cutoff, but they are somebody who can come in and they have been wanting to be in biology or finance since they were five years old and they know that and they go in and that is what they do. But I

would say that the majority of college students just like a majority of adults are still trying to find out what they are going to be when they grow up. So, while I would not agree with wasting credit hours I do think 10-15 hours of that flexibility, which represents a semester, I would say at least a semester would be efficient because that freshman or that sophomore, non-traditional/traditional coming in needs that time to think; knowing that, oh, I would be interested in this. I think that is part of the college experience.”

Dr. Reid said, “What Complete College America talks about is that the college age or populations changing of students who really do not have the time to spend on campus all day long and therefore the colleges and universities should try to reduce the time to degree by doing several things. One of which is drop scheduling. One of which is controlling the number of hours that it takes to graduate. And so that is why this discussion is on the table. Not, I think, to dissuade students from experimenting and that kind of thing. But, to make certain that the students who really do need to get in and get out do have the opportunity to do so and that those students seem to be growing, almost approaching the majority of our students nowadays.”

Mr. Frank said, “Let me, and I am sorry to take a tangent here, I got to tell you the faculty I talked to though, I think that sort of notion that the kid does not have time to spend on campus all day is one of greatest contributors to the dumbing down of higher education that there is. I mean we have had this notion in higher ed for years that you probably ought to spend about three hours outside of class preparing for every credit hour that you take. And, I do not think that happens much. And it is because of kids have other.”

Dr. Reid said, “I do not want to cut you off but I would refer you to massive studies in Complete College America just completed called *Time is the Enemy*. In there you will see the full discussion. So, take a look at that and see if you agree.”

Mr. Frank said, “I am willing to learn.”

Dr. Reid said, “Okay, anyone else who feels compelled to speak about their papers?”

Dr. Wayne Watson said, “I agree with my colleague with regard to IPEDS with great concern but when you get to the affordability, not affordability, the underserved and underrepresented I just want to rethink when we use MAP and when we use PELL to identify individuals who are underrepresented we are using vehicles that can at any given year be redefined by legislative body, whether that be a Pell Grant being at the federal level, MAP being redefined at the state level. And, that is a moving target. And that target, that makes me feel uncomfortable when we talk about underrepresented. Underrepresented should be something that quote unquote nobody can based upon what is happening be defined. It is a reality. We have young kids, lower part of Illinois, mid-Illinois living on rural areas as well as we have young kids in urban America like

Chicago. The lower economic quartile is a lower economic quartile no matter what year you look at, no matter what decade, no matter what census track, whatever takes place, it is a lower economic quartile. I think we need to look at that. Last one is first generation. Every research that we read talks about the fact the kids who are first generation has some of the greatest problems. It transcends color; it has the lowest economic quartile, it transcends color. It talks about the poor white kids; it talks about the poor black kids; it talks about the poor Hispanic kids. But it never mentions race. It is one of those pure bullets, lower economic quartile and first generation. Now, getting to the social economic part of it, because it is a part of our country, I know we try to ignore it, we try to not talk about it, it is not politically correct, but African Americans, that is the third piece, African American, Hispanic, it is a reality. And, I just want to make sure we are consistent here in recognizing that as an underrepresented, underserved community. The last piece I want to say is on affordability. I notice that we kind of threw it back to the Legislatures on that. I want to plead with the Legislators when it comes to you we have sometimes called certain [inaudible] rights for a student. Regardless if they are poor or rich, black, white or Hispanic, any kid should be able to have, if they have the skill set, the academic achievement, they should all have tuition, room and board, books and computers. And, right now, our great Country and our State is not based on that. We give them pieces of it and then we say good luck, borrow the rest, good luck to work a job, good luck you do whatever you can.”

Dr. Reid said, “There are two pieces coming up on the agenda that will speak to President Watson’s concerns. One is the unresolved issues reports of Dr. Cheng. And, the second is Dr. Phillips’ work on the formula itself. So, we will review both of those. And then I will come back to see where we are. Thank you very much. Let me just say a word about those position papers. They have been very helpful. They provided us sort of a balance because some of them were off to that direction; some were off in this direction. So, we tried to gather the most sensible, most expedient points that were made that can be put in this round of performance funding that we could. With that in mind I want Al to take the podium where you feel comfortable and just talk a little bit about how you handle the position papers.”

Dr. Alan Phillips said, “I actually have a chart in the presentation that I will show a little bit later but we received a lot of input from a lot of people who are very interested in this process. As I said before, that is extremely valuable to us. In addition to this, we also had a number of conversations with a wide variety of individuals and organizations who are interested in the process which is always very helpful. So, for every single bit of input that we have gotten we have gone through it in great detail. And, as I have said previously it does a couple of things. First of all, it is lets us know if we are on the right track. And, I am happy to say that a lot of the input we received is directly in line with what we are trying to accomplish and where we are trying to go with this process, which is really good. Some of it we can [inaudible] and we have tried to do that and add that in and you may see some of that in the presentation. Some of it we cannot get there from here today. A lot of the input references majors which we too would like to put into the model—we do not have the data. As Dr. Watson has said and others, one of the

challenges is and Bob will talk to us too in a little bit there is just not a lot of really good strong data because we have never needed it before and so while we have some we do not have all that we would like. Things like transfer data, things like first generation students. Some of that information just does not exist. So, one of our challenges as we go forward is first of all to take the input and implement what we can. We have weighed it all where we could include it where it made sense we absolutely made use of it. It also gave us some ideas as we go through this as you might guess is a bit of a complicated process trying to figure this all out and how we are going to make this work. It is given us some ideas on solutions to problems. Some things that we may want to think about. Some things that we cannot do now that we would like to do later. Some of it is good but it is not anything that we can act on. A lot of the information was actually recommendations for things that colleges and universities are going to have to do because one of the things that we are trying to do is establish what we are trying to accomplish but we are not trying to tell the colleges and universities how they are going to have to do that. So a lot of the suggestions although good are outside the scope of this effort. And then some of the recommendations that we received actually are even beyond that and would in fact require legislative action or other kinds of efforts that are beyond the scope of us to essentially impact. But it is very valuable. We have been getting it daily. I spent a great deal of time over the Thanksgiving holiday going through most of this and we have received some today. We are always willing to talk and discuss. I had a conversation yesterday with Sharon Hahs at NEIU over this. We have been to the University of Illinois and talked to them. I have had several conversations with Dr. Cheng and Dr. Karnes. All very helpful because in our view this is a collective process. We are kind of the honest brokers but this is certainly something that we all have a piece of, a part of, and that we all want to see this succeed. So, the better informed we are and we certainly do not have all the answers, the better informed we are the more that helps us. We cannot include everything. Some things we probably are not going to but we certainly take everything into consideration and I appreciate all the input and the work behind this because I know in some cases as Dr. Cheng mentioned there were significant efforts put together to put this together to give to us and so that also is very insightful and very valuable to us. So we appreciate it. This is a continuing process. Our goal now is to get something on the table that is workable and get us kind of started and out the gate. But there is a lot more work to be done long into the future to refine this to make this better to capture those things that we cannot capture right now and to make this work better so that we can provide incentives to move education in the direction we would like it to go.”

Dr. Frances Carroll said, “I did not get a report.”

Dr. Phillips said, “Frances, this is Al, and they did not send us a report.”

Dr. Reid said, “Thank you, Al. Al was traveling with family over the mountain and through the woods to grandmama’s house for Thanksgiving so I thought I would call Al’s office just to leave a message for Monday morning, late on Wednesday, something

like 7 p.m. on Wednesday before Thanksgiving and he was in the office. He has been working hard and we appreciate it.”

Dr. Phillips said, “This is a partnership so we certainly appreciate your input and the discussions because at the end of the day we have got to figure out how to make this work and we need all your help to be able to do it.”

Dr. Reid said, “This is a collaboration the initiative I think in addition to the formula was to make certain we got all the principles right the basis upon which we are setting performance funding what our ideas that we want to accomplish as a result of performance funding—one of the principals and so one of the things that we are sort of trained to do as we are coming through the vice-presidential/presidential round is when you have these meetings and you have these unresolved issues you put them in a parking lot and you study them. That is what we did, we put them in a parking lot and we gave the keys to the parking lot attendant, Rita Cheng, to develop a little committee called unresolved issues and there were a number of them and that committee has been working assiduously for the last six weeks or eight weeks. So I wanted to ask Rita if she would come and make a report about their work which I think that you have received a copy of already. Does anybody not have a copy?”

Summary Comments on Unresolved Issues

Chancellor Cheng said, “I was able to report also at the last meeting with a draft of our work on September 28 the committee asked myself, Tim Harrington, Elaine Johnson, Ann Ladkey, Ed Maloney, Santos Rivera, and Wayne Watson to address eight unresolved issues and I will quickly run through those for you but the report is in your hands. How to finance the performance funding effort and as you heard from others we all felt strongly that particularly during a stressful budgetary environment further budget cuts may run counter to the outcomes that we expect and so we would highly recommend that performance funding be based on new state dollars or serve as a focal point for the importance of funding higher education and this is in the spirit of that legislation. We also propose that the timeline be considered for performance funding because of the legislation goes into effect on July 12 and the first time we are going to be able to capture metrics will be in the fall of 2013 for any improvements. So we are really looking at a bit of time for a startup and I think that is an important time that we evaluate and we can work through the structures on our campuses to prepare now that get benchmarked data in 2012 and be able to then look at improvements in the fall of 2013 when students would be returning. For instance retention rates, graduation rates really will not be available until after the beginning of fiscal 2014. Two and three were to address hold harmless and stop loss provisions. Again, the importance of both of those come into play depending on not only the size of the performance funding allocation but rather it is a carve out or new funding. But in both of those our discussion really again talked about the short term challenges and then the long term goals that we all want and the importance of looking at the short term where the institutions are really going to need to focus on organizational structures, programs, that need to be in place at our institutions and the hold harmless or

the stop loss provisions should be greater and then after several years we felt pretty comfortable with thinking that they would not need to be that same type of safety net so to speak. Number four was to address different missions, different types of institutions across the state and we recommended that the institution be differentiated by mission, by the Carnegie classification and by demographic profiles again of the types of students that are admitted to our institutions. And that is currently done and available as I understand by IBHE and I think we all understand the missions of our institution are different and therefore challenges and structures are different. Number five goes back to a discussion that we had last time that we met as well as the comments that Wayne made today and that was the definition of underserved and unrepresented. It was more of the more difficult conversations in our subgroup and also in this larger group and one of the things that I did in providing our subgroup some background information was to take a look at the profile of the students at SIU. We have currently in our undergraduate student body 21 percent African American students, 67 percent white students, and 5percent Hispanic students so we are a diverse institution but primarily our diversity is in African American students. Of those students if you look at who is a PELL recipient, who is a MAP recipient and who is in the lowest quartile across all three of those are African American students are over twice as likely to be PELL eligible. For example, about 30percent of our white students are PELL eligible, about 60 percent of our African American students are PELL eligible. So, that helped me to come into I think what I would see as something that is consistent with the *Public Agenda* but also is somewhat of a compromise from positions of saying we should only look at students receiving the base financial aid or only look at those in the lowest quartile or only look at students requiring developmental courses to balance where we look at the historical underserved, which is race and then add those other dimensions so that the argument that you might have an African American student coming from a wealthy suburb with a lot of resources yes you may but the predominance here is that these are underserved students who are primarily coming in with twice as much need for financial aid and in our case four times as much need for an education. So I do not think that we are going to necessarily in that recommendation err on the side of providing institution with points or incentives where they are not unwarranted for that effort. And so that was the recommendation and it was indeed a compromise of having a weighted system where there is weight placed on the historical dimensions of underserved but also additional weights given to variables that capture it for ability and preparation challenges. On the affordability issue we recognize that it is huge in importance for the outcomes that we would like to see in the State of Illinois in a very short time but it is bigger than performance funding and again we recommend that the issue continue to be a topic for our legislature and then continue funding at the federal level the PELL and at the state level the MAP will be critical to support the effort and components based upon it. The quality issue was also important. How to insure the quality is not compromised. Again, the input measures that we have in place on the campuses, around making sure that learning outcomes are measured and that any incentive that we have for completion does not reduce the standards for completion will be important but also we tie that to funding. Funding for public higher education will be important throughout this because continued erosion of our budget will impact the various support structures that are in place to address quality tutoring supplemental

instruction advising that go across the campus. But we have licensure employment data meticulous to graduate school data that all can be used to insure the quality is maintained. And finally higher education is a significant contributor to the vibrancy of the economy of the State of Illinois. I have been in this business for about 35 years and believe that we have a huge role to play to recover from the recession and the role of higher education must be to produce both the programs and the human resources and there are other measures around our economic development the research that we bring to the region and to the State as well as the business startup opportunities that should be recognized. Maybe it is not predominant in the performance funding but clearly recognized. Thank you.”

Dr Reid said, “So you have heard the report. We still have many decisions to make. I would say to you that as I was privy to the emails that went around and I was saying to myself whoa we are not going to resolve these issues and then strong minds and decent people came together toward the end there and resolved the issues and I really do appreciate that.”

Honorable Pritchard said, “George, if I could interject. I am not going to give a comment but I would come to your comment on affordability point number 6. Colleges and universities have a stake in affordability. It is contingent upon all of the things we have been talking about in performance based funding but clearly time to degree has an impact. The efficiencies that some colleges and universities have implemented have an impact. So while I do not disagree this is a legislative issue there can be some contributions from colleges and universities as well.”

Chancellor Cheng said, “Point well taken I think goes back to Allan’s comments that the whole continuum community college and four year institution have to work together to make sure that students are not over paying that extra semesters, extra classes.”

Dr. Reid said, “I also wanted to mention that in the next IBHE board meeting I have asked Dr. Cheng to give us a report on all of the principles to the board on December 6 so she is on the agenda to do just what she is done today because all of the other principles upon which we have based our work.

[Inaudible]

Dr. Reid said, “I am going to be guided by the board. Dr. Carroll and Dr. Rivera are two members of the board and they have a point of view that is strong and I am going to be guided in the end in this process by the board. What this committee has tried to do on the other hand is to absolve the major differences and I still think that there is work to do because this is an historic problem that began over a hundred years ago. And we have got to make certain that as we move through the legislature with ideas imbedded in the legislation of whatever it is that we create is the answer longitudinal and how we get to this problem. So I am almost certain that the board will give me counseling advice and

direction in terms of how to move forward on this and when we appear before various legislative committees in the senate and in the house my comments and suggestions to those committees will carry forward.”

Dr. Aminmansour said, “Alright, George, just wanted to point out that the discussion we are having here points out the complexities of the issues that we are dealing with and the interrelationships that exist between so many factors. For example we all want to increase the number of underrepresented of students. But if on the other hand if we are cutting our MAP funding that is going to affect them. If we are cutting back on full time faculty as opposed we are hiring more part time faculty there are fewer faculty to mentor these students who need help. Technically students who would take longer to graduate and therefore their education become less affordable these are people who need more than just money. They do need money but they also need other counseling and other things. Students who are well-to-do financially they come from good educational background, good high schools and things like. They do well in college and they graduate on time. So we need to pay attention to the inter-relationship between these. You know students are coming from high school to college unprepared. It is going to take them longer to graduate. It is going to cost the university and the State more money to prepare them so they can get their education. That is one of the reasons our recommendation for the faculty advisory council was to make sure we understand the complexities and the inter-relationship between these factors and we start with a system that is relatively safe and that understands all the implications of whatever it is that we decide on. We do not do any more harm than good and then build on that.”

Dr. Reid said, “To reiterate, when the next session starts of legislation there are going to be a number of first education caucus to consider. I am sure the house then the senate will consider each opportunity that I get to bring forward the idea that of the board I will do so further.”

Dr. Elaine Maimon said, “I would just encourage you, Rita, to just incorporate in number six on affordability the points that you raised so well, you and Allan raised, in terms of encouragement toward the pathways to graduation and maybe even put in something about our obligation to help with some financial advising of students. I think that there are things we can do on the affordability issue that of course, MAP funding, PELL funding, it is all unrelated. But if we have to decide some things that we can do in higher education as you have already done in your report and just expand number six a little bit for board presentation, I think that would be very helpful.”

Dr. Karnes said, “I just want to comment on affordability. In order for us to get to our goal which is 60 percent I think each of our institutions is going to have to graduate 40percent more by the year 2025. How can we do that with what we have today? I mean it is simply we would not have the room to put them and if you look at us demographically we are going to have to educate people who are harder to educate. We are going to have to reach out to people who are above age 25. We are going to have to look to our underrepresented groups. Those are going to be the people that are going to

make that extra 40 percent and it is going to cost money folks. It is going to cost money. And we need to recognize that and we need to recognize it going in just by coming up with some metrics and asking universities to do certain things that is not going to meet the goal. It will never work without having the resources to actually do what we need to do.”

Dr. Reid said, “As this end of the meeting as you see on the agenda I have asked our legislative liaison Ms. Smith from the Governor’s office to sort of give us some ideas about how we reach our goal. With some idea about the implications at the moment nobody really knows as Julie Smith tells you all the time it changes almost every day but the best information that we have so that the work that we have done we will know what to expect as we go forward. Not to say it will not get better or will not get worse but at this moment this is what we see. That is what we will do in that item just before Larry Isaak speaks to us in closing remarks.”

Mr. Anderson said, [inaudible]

Dr. Reid said, “Very good, David. Thank you so much. I just want to make one comment. This process has [inaudible] lots of people to think about how we improve higher education in Illinois and I think that is one of the manifestations of our work that people are now really engaged in this and our thinking in this committee is about to reach another level. But your work or engagement should continue. So whenever you have the opportunity to speak before the legislature or to a legislator I think you should do so. This will help us in a more broad way to carry the water that I hear that you would want us to carry because the more people who say what needs to happen the better our opportunity for getting it done. So when we get these opportunities to speak about this issue and others we should do so and do so with the compassion that I have heard this morning.”

Dr. Washington said, “First of all these are all very complicated issues, there is no question about it. Secondly, it would be great to have resources to do the job that we have been talking about. Thirdly, in my humble opinion those resources are not forthcoming until we show more progress than what we have for many, many years. I think resources are very big component of this operation but I think more important is a vision of getting the job done and part of my thinking has sort of been crystallized after reading about Steve Jobs and the treatment of the subject. One of the things that drove him was a vision it was not the money. He was more successful in making money than anybody in business but the thing that drove him from the very beginning was a vision and idea of doing things very well. So he recognized innovations that were required in order to get to the public the things that he felt the public deserved in spite of the opposition in spite of the competition. I think this issue that we are dealing with is so critical in terms of the creditability of higher education in terms of the creditability of education in this Country that for us to be discussing the issue of money, money, money, sure we need money but we cannot stop there. We cannot begin there. I have been around long enough to know what it takes to move the legislature. I have been around

long enough to know what it takes to move the public. And, you are not going to get them to be moved by talking about we need money. You can get them moved talking about the things that we are doing and some of the things that I have heard we are doing is very much on target with what we need to do. But that is not what is generally emphasized at our institutions. Generally what I see is more of the same. There are innovations occurring. We need to build on those and make clear that this is what we are about. This is our mission. This is what it is absolutely required of us because we have to do things right and we have not done that. So I just thought I would add a little something to the pot in terms of our thinking because it is a complicated issue and all of what has been said is appropriate. I will say that but it is not where we need to begin and I hope that we can capture what really resonates not only with us in terms of being educated but what would resonate with the public what would resonate with the legislature and what is required to get it done because I believe that anything that you want to have done you can do it. But it is just like anything else you have to envision it first. You do not envision it is not going to happen. That goes for higher education, business and golf.”

Dr. Reid said, “Thank you so much. Your words are so wise always and we do appreciate them. We will be guided by them of course. As we move now with getting ready to hear Al Phillips present the model basically what we strive to do is to inculcate your ideas and produce something that can be replicated across the colleges and universities. During this presentation we were asked also the community colleges who have a different model but much of the same but some differences to join him and you will hear their presentation as well.”

Proposed Metrics Formula

Dr. Phillips said, “This is very much a work in progress. So, what I am going to talk about today is at the last hearing committee meeting I laid out the framework for the model and so what we have done since then is to flush out the model put some data in the model and show you kind of what it looks like with real numbers, real data and how it is going to work. Okay, the objective is to propose a model that is linked directly of course to the goals and objectives of the Illinois *Public Agenda* which we have talked about frequently and the public act that established this particular effort to implement performance funding. The intent is to propose a model that is equipped to recognize and count for each universities mission set of circumstances unique challenges we talked about things here such as demographics the composition of the student body as we have started to get into this it would appear there is an infinite number of variables. So, the challenge is to through this model try to address all the various aspects of all the colleges and universities because what we have are 12 completely different colleges and universities in the state. So the challenge is to come up with a model that works across all the colleges and universities is equitable transparent and does what we want it to do. The model also has to be able to be adjusted to count for change in policies and priorities and as I said before it is not prescriptive in telling colleges and universities how to do what they need to do but what we are trying to do is provide them incentives to do the

things we need to do if we are going to be successful. What we have accomplished so far we have identified the key issues and the discussion with Dr. Cheng this morning is identified how we have taken a look at addressing some of those issues. We have developed performance funding principles which we presented at a previous steering committee meeting. We have identified appropriate performance measures in subcategories. But as I have said this is a work in progress and we will talk about some of challenges inherit in identifying good measures one of which is having good data. We have developed models for both two year and four year colleges. We have pretty much have focused on the four year model, the community colleges have been working on the two year model but they are separate and distinct. We have acquired the initial data and of course we have received input from a large portion of the folks who are here today and others both verbally and in writing and what I want to emphasize is this is a dynamic process and we are going to continually work to improve the process and with our budget submission so a lot of good ideas some of these things are going to take more time and some of them we plan to do we just do not have the data currently available which of course is going to be a major effort as we move beyond the first effort of the model is to identify the data that we need and capture that and one of the things we are looking to help us do that is the implementation of the longitudinal data system which we are also very heavily involved in. Some recommendations are beyond the scope as I said some of them have to be implemented by college and universities themselves and some may require legislation or other things to be accomplished outside the scope of this effort. We have also talked about Carnegie classifications and it is come up numerous times in the end what we have received Dr. Cheng referred to it today. Basically all we did was we laid out the colleges in terms of how they are ranked based on the Carnegie classifications. The only reason we are doing this was to give us kind of an idea of what the scale is. On the far left of course you have University of Illinois Urbana-Champaign; on the far right not counting the community colleges you have University of Illinois Springfield. As we are going through this process one of the things we do in every single case is to look at the model and try to figure out how we are going to do this first question we ask is how does this impact University of Illinois Champaign and how does this impact University of Illinois Springfield. What works for one has to work for all which is also one of the reasons why this is a bit of a challenge to figure out how to do that but we can consider the entire spectrum as we go through this process and as we try to develop a model. So with that that with that first what we are going to talk briefly about community colleges and then I am going to ask the ICCB folks to come up and talk. Dr. Saunders also may want to talk to that because they certainly have received input from the community college presidents and like a lot of this effort there have been a lot of people involved it is not just me standing here it is not just the community college board folks but all the people that they work with who have also been involved.”

Ms. Karen Hunter-Anderson said, “In your packets you have the guiding principles and the metrics. As you can from the slide we have taken into consideration the number of the issues that were discussed today and turned some of the kinds of students that we serve at the community colleges. It is a very dynamic process as Alan made reference to and so one of our guiding principles limits the number of dollars that

we would like to be considered for performance based funding from the beginning we would like to keep it under a \$1,000,000 initially for the system because we want to have a chance to be able to prove to you how this is working we want to give the colleges opportunities to internalize it and to address some of the things that they need to do in order to improve their performance and that is going to take some time and we do not want to risk too many dollars initially. So, it is part of the dynamic process that is one of the key points that we are making in terms of our guiding principles. The other thing is that we talk about at-risk students. We have talked about being including in adult education, remedial students. We have students, like a student who I know named Patrick, who is 50 years old and went back to a community college after having received a bachelor's degree and was working in an industry where he was laid off, he was continually laid off. So he went back to his community college at 50 years old and got a C.N.A. with the intention that he was then going to complete an associate's degree in nursing and he is fully employed, he is working the midnight shift at a nursing home, he is paying for it, he does not have access to a whole lot of financial aid but he is one of the students who has not been in college or in school in many years that we need to particularly help. And we were able to serve his needs and get him back into employment. Then we have students like Rosa whose first language was Spanish and was working at a restaurant and could not even be a waitress because her English skills were so poor so she came here to community college to learn ESL and her intent is that she is going to study ESL she is going to achieve level gains and ESL so that she can get out on the floor make better money rather than working in the kitchen because she wants to enter the hospitality program at her local community college. We are serving her needs and we want those students to be part of our performance measures as well. We also want in our guiding principles is that the colleges should not compete with each other but against themselves. So that is a key point because we did not want them to be pitted against each other in terms of funding but rather to be able to look at what they are doing institutionally and to make improvements there. And, we also share the concerns with the data and the IPEDS data however we do have a rich history of data collection in our community college system. I was not a popular person when we decided to move presidents a few years ago to continue our performance report but many of the measures that we looked at through our performance report and through some of our other data collection that we do for the system will behoove us when we go into performance based funding. So with that I am going to turn it over to Ellen Andres and ask her to speak specifically about the metrics.”

Ms. Ellen Andres said, “We have got six metrics that we looked at, that we decided on. And actually we started out with more than 20 and obviously we cannot do 20 of them. One of the things we wanted was to keep it simple so one of the, I think sadder things about this is that we had to decide things not to include in there. For example there is a lot of workforce issues somebody coming back just to get retrained for one job or some of the noncredit courses that we do just for the community so we are missing pieces like that obviously as this evolves we could work them in but we started it simple. Basically our formula the community college system is based on a formula right now how they get their money and so this is an example and we have one for all six

everybody has seen it we are ready to roll on it and want we have taken and this is our first metric which was degree and production of average of students so the last two years that we have are 8, 9 and probably by the time this is done we will have 9 and 10 for each college we just plug in the numbers so those across you just add up the numbers the PELL and the remedial students at each community college and actually I should switch this, this is district, 39 districts, We have 48 colleges, 39 districts, we fund by district. An example is City College in Chicago we fund them by the district then they internally fund by college. So we have the 39 districts and then you look at the next year and any other percentage increase it is on there if you have a percentage decrease we just add it up in percentages. For this example we just used an allocation of 200,000 so if we ended up with our six metrics it would be 166,000 in metric and we divided it out to how much everybody gets per percentage point that was 92,096. So on here college 4 and college 39 got nothing because one did not change and the other would not use the metric. So, the idea is we can run them and even if we do not have money we can still run the numbers and we still will run numbers so that we can look at our performance metrics. So we have that for everything. Momentum points obviously are adult education they do pretesting, post testing and we have momentum points. Everything else we have captured so we are ready to roll on those numbers and that is how we laid out the performance part of it. Does anybody have any questions?"

Ms. Julie Smith said, "So, on your metrics these are the six listed here at the top so you will look at overall degree and certificate completion as well as the at-risk student.

Ms. Andres said, "Yes, we have degree and certificate completion and then we have degree and certification completion of at-risk students."

Ms. Smith said, "Yes, so in this example of metric one where you took a \$200,000 allocation this was an idea that was raised in I think President Peter's letter as well. Do you envision doing the allocation over a subset of the million across each of the metrics so some community college might get money under the production of at-risk students but might not get anything in terms of the transfer to four year institutions."

Ms. Andres said, "Right, every one of them will be treated exactly the same. We will plug in 166,000 or whatever it is and then run it and then at the end just roll it up."

Mr. Frank said, "So maybe I am missing something but if I am reading this right in 2008 when you add it all up there were 14,961 degrees or certificates."

Ms. Andres said, "For PELL and remedial students only."

Mr. Frank said, "And then in 2009 it is less."

Ms. Andres said, "Right, I just used as an example, this is not real, so what I was trying to show is that some would if it gained, you got money if you were level or lost, you got 0."

Mr. Frank said, "Okay. So it is not a negative number because there is a stop loss put in."

Ms. Andres said, "Each college is based against their own, so yes there is a stop loss built in."

Mr. Jay Bergman said, "The only thing I would say and this is perhaps something that had to be considered way down the road is that at some point some of these metrics or the items here any particular community college is pretty much going to reach the maximum that they can that they realistically can and anyone of these items that you described and then when they reach them they have done a good job, you know. And, they received additional funding along the line. Once they are extremely successful and they max out then they get no additional performance funding for staying that way. I do not know that this is an issue now but it is something that I think we would have to look at in the future because if somebody works hard and proves something and really does a great job of it they should not be punished because they continued to do a good job."

Ms. Andres said, "I would agree and also like we said there are so many things missing from our metrics but we thought this starts it and as we move we are going to have definitely add some track and go from there."

Dr. Phillips said, "And that is a similar problem you are going to have with the four year colleges and actually we have received input people have responded at some point you max out and there is only so much you can do. You can only get so many graduates of 100 percent of what you have. So I do not see that as something we have to address today but it is certainly something we are going to have to look at as we go forward."

Mr. Bergman said, "I agree in the future we are going to have to deal with it."

Dr. Karnes said, "How does this get us, how does this require the community colleges to do anything different than what they are doing today. Other than grow, right, they grow?"

Ms. Andres said, "I do not know that it is saying that we have to grow. I would say that you are producing differently or you know we had that question, is there enough money behind it to like make from Richland to do a huge shift of their admission. No. But I do not know that that is what performance funding was asking us to do. I think it was asking us to look at what we do, maybe we will find out that we all are, you know, performing outstanding, I do not know. I think that is what the general assembly was saying to us and the Governor when they passed this was what are you doing, how are we performing, we did not know. And I will tell you we have had this data but we did not run it before I mean we did not run it in this way before. So it is making us look at things differently and I can tell you that Dr. Saunders is going to look at it differently than the

city colleges of Chicago. I mean it is not realistic that the two would look at it the same way. So I do not know that it is saying just get people in the door and out the door. I do not think that is what its saying.”

Dr. Karnes said, “Well what is to stop them if you are ringing the bell every time you get a degree or certificate what is to stop a school from saying well you have one A.S. degree stick around 12 hours and get another and by the way for six more hours we can get you a certificate when that would not necessarily help that student at all complete a four year degree which is their intention.”

Ms. Hunter-Anderson said, “One of the ways that we are addressing that is that a lot of the colleges, we are asking the colleges to look at career pathways. We are looking at how those students are advised and we are also looking at a plan for those students that gets them out into the workforce faster, gets them transferring into a university with a minimal amount of requirements needed at community college and so we got some initiatives that we are addressing internally at colleges to make sure that students are not ill-advised or that students are not just generating hours. “

“You know it is very difficult, one of the issues that we address constantly at colleges is that students will stay around and accumulate more and more hours without any completion so it would be an improvement to forward them to be advised to say if you are going to take six additional hours take these six additional hours and at least you will get the credential for them. Or this is going to help you in terms of your terms of your transferability.

Dr. Karnes said, “How does this help us with time to degree though? Or how does it help us have a seamless system that encourages employment?”

Ms. Andres said, “Well transfer to four years is on there so yes you can have them stick around and keep getting degrees but you can also get something for transfer four-years. What is missing on here is the student who comes in and is working in a certificate type program. This happens to us all the time and this is what we are missing. And, they get a job offer that is a lot of money and they say “I do not really want that certificate; I just want to go take that job.” So, I mean, there is many things that are missing here that you know there is always going to be the student that you can tell is somebody took many hours or if they had switched over it would have worked better or whatever. We are trying to fix those as much as you are and we are and I do not know that performance based funding is necessarily going to fix those little things but on the bigger picture I think yes, we are looking at degrees and certificates and transfers.”

Dr. Karnes said, “I think systemically though we need to do something as you know the state’s higher education system to move those kids through the system before they run out of money. I mean, you say you know those little problems. We do not see them as little problems, we see them as big problems and it happens all the time.”

Ms. Hunter-Anderson said, “The time-to-degree, there are two ways to look at it – one in terms of running out of all financial aid absolutely, that is a big issue, but in terms of getting through in a specific amount of time when we have students who enter at community colleges much more so than at the university life happens to these students. So they drop out for periods of time.”

Dr. Karnes said, “But look at how many credit hours that is effecting. It does not matter how many years they take what matters is how many credit hours they earn. So if a student has to stop and work for awhile, the school does not get penalized for that. The credit hours and not four or two or four or six year graduation rates, that is why we want to get away from IPEDS. But we still need to have some measure that encourages all of us to get those students out with as few hours as possible.”

Dr. Johnson said, I would just like to add to that [inaudible].

Ms. Hunter-Anderson said, “And, Elaine, right that is something that we look at the number of credits that are required for each program level and we track the students in terms of their progress for that program.

Chancellor Cheng said, “I would think that your model could be improved and linked to what you are describing by inserting some of the measures that the four year institutions we are going to see for four year institution, the draft that we saw in Carbondale at our last meeting had some measures of cost per completion by instructional cost or general spending cost per completion and you will see it on page 7 so I do not want to trump your presentation, Al, but undergraduate degrees per 100 FTE. That gives you a sense of how many people are you putting out the door compared to that you have in enrollment, education in general, spending per completion. Again, if we are looking at completion or transfer that would be a way of connecting what you are describing that you are doing in programmatically to the performance funding. Otherwise, you do not have that connecting. You say you are doing it and that the board is concerned but you are not putting it into the measures. We do have it the measures for the four year institutions. I think we should have something across the continuum that really looks at ways that we get completions and we have completions that make a difference to the economy. So, that was just my two cents.”

Dr. Johnson said, “That thing about getting them in and getting them out you have to look at the fact that our population right now is like a 30 year old part-time female who cannot hurry. We would love for them to hurry and get out and get money but they cannot.”

Chancellor Cheng said, “We all have those types of students, but that is our average student.”

Ms. Hunter-Anderson said, “But to tie it back to performance funding what are the goals? The goals are completion. Completion not necessarily degrees so I think they could.

Honorable Ed Maloney said, “I think this gets back to the idea of the mission. And, I would agree Elaine’s statement. I would not speak for the other members of the legislature but I do agree that one of, at least my philosophy, in this whole concept of performance based funding was to get every higher education institution to look at what we are doing wrong how can we improve it what we are doing right and how we can improve it and I think that we made that point and this obviously is the first step toward that and making the institution no matter what their metrics are it is going to make each institution sit down and say okay these are the metrics but how have we been achieving these what can we do better to get there and as Jay eluded to earlier maybe we are doing this already but that does not mean you just stop. It gets back to the individual mission.”

Mr. Mike Monaghan said, “You know I think it is important to recognize following up on what Geoffrey indicated. Completion in the community colleges is different probably by definition the universities say. But completion is success for us maybe. Quite often a student has decides to attend a semester or two at a community college with the sole intention of transferring whatever they are taking during that period of time to a university. So it is our goal that we set them up for completion at the university. I am not certain you can measure it with the same standard that the university uses to define a completion at a community college so in our metric which is a community college trustees association endorsed at it last meeting this entire concept that Ellen and Karen are explaining here. We endorse that this entire concept and this entire metric, set of metrics, with all of these things in mind that we have a completely different model than the universities setting. The other important factor to take into consideration here, responding to the initial questions that Allan asked a few minutes ago, community colleges, the individual community colleges, are already performance based funded. That is how they are funded. Now we are asking us to take into consideration performance based funding on top of performance based funding. The individual community colleges receive state support based on their performance now. They are only paid for the credit hours that are offered. It is a different funding model, that is current. It is a different funding model than the universities. So I think that that is some of the problems that we have now. Well if students ended up with too many credit hours because you can take full credit hours.”

Chancellor Cheng said, “I would just like to come back to you.”

Mr. Monaghan said, “I would like to take the exact reverse effect, I think the students are more interested in attending the community college to receive whatever service it is that they are there to receive complete what it is they are seeking and move on. And that may not be an associate’s degree.”

Mr. Geoff Obrzut said, “It is in my case where I did not need an associate’s degree and I knew I was going to a four year school I was bumped after 60 hours and tried to get credit for that at the community college system. But I went onto finish my bachelor’s, so.”

Chancellor Cheng said, “I am very conscience that your measures of completion would be different and that your mission is different. My reaction to the presentation is that I did not see the same sense of commitment or urgency in these measures that I was seeing in the four year institutions. And that is just my feedback for this process right now there is the completion aspect but not the time degree aspect that perhaps we need to look at.”

Dr. Maimom said, “I think it is really important in the community college mission and it is various. I think the state benefits greatly from that. And, I think that what you have described I think we are seeing it on so many instances of people who have degrees who are coming back and getting retooling professionally, that is all great but I think that what I would just ask you to consider as you look at the metrics in terms of performance based funding is a particular segment of your population. To single out in a way that we could look for some connection seamless connection in the whole education system. And, that would be and I know it varies from community college to community college how many of these students you have but would be the student who comes directly from high school to the community college because we have long standing national statistics on that student and I believe very strongly the universities have not been serving that student well and that student who wants to start at a community college that their numbers have increased since the great recession they see that it makes a whole lot of sense to get their first two years at the community college and then transfer to a university and our dual degree program that we are very proud of at GSU is a way for the university to say we are going to give you incentives to complete your community college associate degree in no more than five semesters and the whole idea of can a student go full time well these students are in the dual degree program now. They have fit the demographic that we all are trying to achieve and if we give them some financial counseling they can realize that it actually makes more sense for them financially to get the PELL grants, get the MAP grants to go full time and so forth. So what I am suggesting is for you to consider something that would target that direct from high school population and do something that would maybe be some measures of time to degree and completing the associate degree for that group because I think that would address what Allan has been talking about and I think we are generally be a systemic way to move towards some of the improvements we are looking for in the 2025 graduation rate.”

Ms. Hunter-Anderson said, “And we have that as part of momentum points. The final point we looked at was student quote first time full time students completing 24 hours the first year. So that was one of our performance measures.”

Chancellor Cheng said, and that is in direct line with time to drastic degree and the cost efficiency.

Ms. Hunter-Anderson said, “But we will be continuing to look at this not because as we said it is a dynamic process so we may find that there is something that we need to do beyond that.”

Dr. Karnes said, “I think the student that goes in and takes 15 hours and then transfers to a four year school, I think he should get a point for that. You did your job with that kid. I am not suggesting that you do not get credit for that all I am saying is that do the things and like transfer, like transferring with fewer wasted hours.”

Dr. Maimon said, “Could I just comment on that Alan we have done a lot of much research on this student who comes right from high school to community college. There is been study after study that for that student the completion of the associate degree at the community college will make the student more likely to complete a bachelor’s degree. The idea is the coherence and the stability of that student’s experience. What we need to provide incentives for the student to stay at a single community college and do a coherent body of work. And I think that if we can go back in and I know we are not looking at all your performance measures but I think that really an important one in terms of really changing a statistic we know that if a student goes directly from high school to community college in six years only 10 percent have achieved a bachelor’s degree. I know we can change that. But I think that will take some different kind of thinking.”

Ms. Hunter-Anderson said, “I agree and keep in mind that one of the reasons just one of the reasons that students choose community colleges the traditional 18 year old recently graduating from high school might choose a community college because he or she has no clue what they want to do. And unfortunately I know you get those as well but I think we receive a higher percentage of those and they have a tendency to shop around classes very often false starts within one program area and taking generating more courses than they would.”

Dr. Maimon said, “Well another thing is to provide incentive for. Is to take the Illinois agreement on gen ed for the students that take those courses in the first year they will transfer anywhere to any program that is part of our public policy I think the more that we can build whatever we do that kind of incentive. Because the student does not know and the student does not realize that nearly every student would be best served by taking those gen ed courses and I just think the more that we can think about that and if we are really going to change things the better.”

Mr. Anderson said, “On the data, I agree with you completely. On the baseline that those zero requirements would be transferable to all public universities across the state, I concur with that data.”

Dr. Reid said, “Let us continue. Al. Thank you community colleges. Thank you. We will be working more on this. I mean this is not the end of the road. We will be working together on it.”

Dr. Phillips said, “Just to touch on that once again this is very much a work in progress. I can certainly see down the road where we start to tie the models together and make sure that we address those majors that should be consistent from community college all the way through. So, once again, we are just getting started and I can see down the road where we work together to come up with models that complement each other and provide us with the information and the incentives that we want them to so that the community college model obviously supports what we are trying to do at the four year colleges as well. Alright. Onto four year model. Basically what this is this talks to the framework once again is how we try to structure how we were going to go about doing this. The measures have to address the performance in a holistic manner. Once again there is a lot of things that go on at the colleges and universities and if you look at the difference take the Carnegie model look at the difference between a high research and a large masters their function is different their focus is different their structure is different so one of the things we are trying to do is look at holistically and capture everything that is going on with the college that lends itself to performance. The metrics will be weighted based on each instruction’s unique mission environment challenges and ability to make the state’s *Public Agenda* goals and objectives. This is somewhat of a challenge. As I said every college is unique in many ways and so that is one of the things we are wrestling with. The subcategories will address the advancement of students who are first generation, low-income traditionally underrepresented very critical program such as systemic healthcare and as we talked last time much of that comes from guidance in the language the *Public Agenda* and other things that we know that we really need to focus on. The other criteria is the data and this is something we have had some challenges with and we have talked about that to some extent already. And, like the community colleges who have a pretty substantial data base and who have been compiling the data for a number of years we have not done such a good job at the four year level. There are sources of data some of them are not particularly robust some of them have challenges we have talked about some of the IPEDS issues and bob will talk about some of the here in just a second but the data has to be available and applied to all the colleges universities has to be recognized as quality data and has to be data we can verify or validate. Also we are going to normalize the data so that we put all the majors on par with each other across all the variables and once again we are going talk counts and not rates. Because it is easy to do things that will adjust the rate in your favor. As we have talked about if you want to improve your graduation rate you wop off the bottom quarter of your students and your graduation percentage goes up substantially. Well that is not exactly what we want to try to accomplish with this. So we are not focusing on rates; we are talking about counts. As I talked last time these are the seven steps and what I want to do is go through the steps and the model on how we determined the weighted results for how we are going to allocate funding based on performance. First step one identify the performance measures or metrics. Now these are the majors we have initially chosen and there is the source of the data. Everywhere we can were going to try to use average data which gives us a broader spread and that way we can average out maybe some of the anomalies or years where there were issues with some of the things going on at the particular colleges. So what I am going to do is very briefly turn it over to Bob and let him talk a little bit about

the majors and some of the challenges were having with the data associated with the majors.”

Dr. Bob Blankenberger said, “Thank you, I think. First off a couple things to reinforce about this that al has already mentioned. This is a work in progress so we are starting with some measures that we think are the best that we can get at this point. But you will see even at this list we have a couple of question marks. So as you can see this is truly a work in progress. Second, when we are talking about this we have to recognize that performance funding is directional. This is something that does not capture all of the activities at community colleges and universities. It cannot. Many of the functions provided by universities in particular are related to things that cannot possibly be captured in terms of output. However, that does not mean that we cannot at least try to capture some component of it and the rewarding model that should be in place should at least try to move institutions to producing the types of results that we would like to see them produce. We are not going to capture them all but we are going to capture a few. Second, well, third actually, if we are talking about recognizing data elements that are useful to us we have to recognize that the types of data are related to the traditional organizational approach we refer to as the elements system model we are talking about inputs, throughputs, and outputs. Some of these variables are going to be inputs those would not be the best types of things. Inputs that go into your system are things that offer beyond the control of the institution or should be beyond the control of institution at times they can be manipulated like the types of student that you allow to enter into your system but other times demographic variables and sorts statewide are things that are not controlled by institutions and cannot change including preparation for students the demography the changing in Illinois and the types of students who are going to have to go through the system. However, one of the other things that we are talking about is making sure that institutions have the opportunity to change their systems. That is the throughputs to produce the best outputs. It is not advisable for this type of group to make recommendations specific to make it to those changes at institutions. One of those things that we tend to gloss over in this is that institutions are making changes. They have had to make changes. They are improving. If you at the community college system if you at the universities system many attempts to work with these students in a more effective way are in place and present. They are working on it. And, in fact, they have made a lot of achievements in the last several years. We cannot just disregard that fact. If you have got an institution that is been making improvements we need to find a way to capture that success and not penalize those institutions who are already performing very effectively. Alright having said all that let us take a look at these. If you see the measures one of the things that we are restricted by is available data. I do want to draw up a distinction in IPEDS. Many of you have referenced limitations in IPEDS. Most of those limitations are actually related to one specific measurement and that is the cohort graduation rate. Many of these IPEDS data that are collected are perfectly legitimate and they are things that we can rely on. However the cohort graduation rate is a problem. And rather than go with the cohort graduation rate as you can see here in just a second that is simply not going to work. If you look at the first three measures here in bachelor’s, master’s and doctoral degrees produced these are all standard measures there should be no problem

with collecting that information. And that is perfectly legitimately way of demonstrating success by institutions. Rather than go with cohort graduation rate we have done at the undergraduate degrees program per 100 FTE. This is a way of capturing the overall size of the institution as well as the production and the success in producing degree and potential holders by those institutions. We do have a couple of limitations in that Governor State and UIS Springfield both have limited numbers for no freshmen and sophomores at present although that may change in the near future and those institutions are going to have to do rebounds. We are going to have to come up with approximate measures to account for that. But generally speaking this is a good way of measuring success based on the body that you have at your institution. And that was referenced in the discussion with the community colleges. Now for the question marks. We would like to measure the similarly graduate degrees per 100 FTE. The problem with this is the IPEDS measurement instrument captures all graduate degrees together—masters, doctorate, professional, first professional degrees. As you can guess those take significantly different lengths of time. That is not disaggregated at present. One of the things that we have working for us is that we are in the midst of constructing a longitudinal data system. We will be able to disaggregate that information in the near future. But at present we do not have the measure that we can use for that. So if we think about this, a masters degree that takes you two years versus a doctorate say in chemistry where you have to demonstrate as a result of your work a very specific advancement in a research agenda that substitutes to in a technical field that may take you seven years. We cannot capture those students all in the same fashion. So that is something that we need to perfect. Ideally we can do that within the longitudinal data system construction in the near future. The next three elements are part of the reporting that universities do to the Board of Higher Ed we have an annual amp report. You will note that the first one cost per FTE is one that we think we are going to have to get away from because it is simply not a good way to capture efficiency. What we are looking for here is intent to capture efficiency that allows us to measure the outputs and in some level try to get a measurement for improvements in the throughputs. Now, without controlling those. In cost per FTE we would like to think it is better related to this measure than it is but it is not really. The appropriations amounts the costs that it takes, it basically separating out the FTE that is costs to incur by the institution. And that is simply not a good efficiency measure. So were going to have to come with a better one for that. Education in general spending per completion is another measurement instrument that we are trying to capture efficiency with that could be improved. For the time being that may be the best we can get and that is fine. Again, this is a starting point.”

Dr. Karnes said, “What are the two costs influences. What is the difference there? What is included in education in general spending?”

Dr. Blankenberger said, “Right well the education in general spending is a series of data elements collected reported by the institution and one of the problems we actually face is that some institutions report the categories differently so we are going to have to tighten the definitions to make sure we are getting all that information consistently across the institutions. And the difference of course with the cost for FTE is we are talking

about completions here as opposed to simply the body of students that are present at the institution. Lastly, we would like to be able to capture some of the other activities by universities in a more effective way than what we have at present. The recent public expenditures is a ramp element that we do collect at present however it is an input it is not an output what we have got here is basically the amount of money that institutions have committed to this venture. Well that really is an input not an output it does not mean you have done a good job with it it just means that you have committed to it. So in order for an institution to receive more money along those lines (taping stopped). Any questions?"

Dr. Reid said, "Hold questions. Let us try to get to the end."

Dr. Blankenberger said, "Well the future measure is here and one of the things that we want to emphasize is it is an outgoing process. There are many things we like to capture but we cannot at present with existing data sets. With the construction of the longitudinal data system we have a tremendous opportunity in this data and to add the data elements that we all need. And as we move forward in this process we can add data collection cycles to the longitudinal data system requirements for institutions. One of the last elements here that you see on list quality is one that we have attempted to approach with the faculty advisory committee. I introduced it to the Illinois Association of Institutional Researchers who are responsible for essentially monitoring progress for assessment purposes in a variety of ways and we have challenged both these groups to try to come up with, advice for us, how can we better measure this in a quantitative fashion. The problem that we face here obviously is standardized testing instruments are not universally applied. So we have a few standardized testing instruments such as the exam from ACT or the collegiate assessment tool or even the major field test from College Board but those are not used by all institutions. If we decide those are valuable enough to have everyone do them well then we can implement those. Alright, sorry, as you can tell I am trying to pick up the pace. The next step is collecting the data and on the selective performance measures."

Dr. Reid said, "Wait a minute, Bob, let me see if I could help with this a little bit. You have received this power point. Have you had sufficient time to look at it? You would want us to continue to go through everything, right? That is what I wanted to know. Okay, Bob."

Dr. Blankenberger said, "Okay as we see this slide the collect the data on the selective performance measures once again you have the question marks. This is just an example. This is obviously just hypothetical. One of the other elements that we are struggling with and you will see this in this slide is how to normalize these. You will see with the recent expenditures this has to be normal. We have to try to create some kind of ratio of a manner for us to turn this into ratios that make sense across the various measures. Just anticipating that decision. We also note as we move forward to the next slide step 3 this is warning additional premiums for areas of focus. You will see we started with a weighting mechanism here for low-income adult and Hispanic, black and

non-Hispanic and then stand fields. Part of the reason for this is this is available data. You will also note that we are trying to capture low-income in addition to underrepresented populations. This provides the accumulative affect we talked earlier about the fact that a student is African American does not mean that they are low income. There is a statistical likelihood that increases this method captures and rewards institutions across all three measures so that we have got a way to make sure that institutions are changing their policies in better to serve these populations. As we talked about the usefulness of performance funding one of the things that we have to recognize is the directional nature here. Institutions have begun to make these changes. It is not as if institutions are ignoring the demographic changes in the population. They have made these changes. They have started on this process. In fact we had a presentation at the Illinois board meeting for a process, eastern actually has begun and President Perry will be presenting on that. This is something that institutions obviously need to address first not enough progress has been made. As we think about the demographic changes in Illinois we recognize the current students, the current population that is less likely to finish college is growing in numbers. Further, as we think about improving systems capture those students and increase the likelihood of their success and completion, we recognize that institutions will have to do a better job of changing their systems to accommodate those students. And for Illinois to be successful that is the area of growth. That is what is going to have to happen for Illinois to meet the *Public Agenda* goals that we have all talked about in terms of completion. And as you can see we have weighting mechanism the weights are one of the things that we would like to do is get better data on the actual cost incurred by institutions for educating students that are not educated but if we have a better cost analyst in terms of how expensive it is then we can figure that into performance funding model. If it costs twice as much for example to take a student who is low income African American and needs remediation then we should weight it appropriate. And as we get better data then we will make improvements for that system.”

Mr. Tim Harrington said, “Can I ask something very quickly? Is there anything in subcategory with first generation students?”

Dr. Blankenberger said, “Yes, it is actually if you will hold up just for a second in the next chart that is one of the things that we cannot measure with the data. These are the things that we would like to add and will be adding in the near future. This is collected in different fashion by institutions. There are some institutions that collect this information but not all. And out of existing data sets, like IPEDS we do not have that info. So if we think about this these are additional subcategories that we would like to include, potentially. And that again is open to discussion as we revise and improve the model as we go. Why do not we pause for a second and see if you have any questions.”

Mr. Harrington said, “One more question, the 08-09 data, is that going to be a base line is that what we are saying or is that just for the purpose of this study.”

Dr. Blankenberger said, “That is the intent at present. And it is to establish a baseline. That is the most recent data that we have and as Al indicated earlier there are

nationally changes within the system and as we know this has been an economic recession period as a result there have been perhaps some unusual situations that have occurred over the last several years. There is the possibility to expand beyond three years to try to lessen those unusual data sets that might be present but at the same time we cannot just go on using years data and expect that to be the best possible source of information we can get. It is also however also weaknesses we think about inclusion of new data elements basically the construction of longitudinal data system we know that those are going to be brand new first time collected we are not going to be able to have three year old averages. So this is another potential weakness that we are going to have to regress to.”

Dr. Watson said, “I just hope we need some latitude because we have some institutions that when I say totally redefining or reaffirming their data base and to assume that their data base going back three years admittedly not be true in terms of that data base really having integrity.”

Dr. Reid said, “As we move into January Dr. Phillips, Dr. Blankenberger and I will do one of two things. We will send out a discussion budget that would include some performance funding ideas as soon as we can. And then we will follow up with the Presidents and their people if there are areas of major concern. And if longitudinal data on a campus is a concern that is where we would pick it up at that point.”

Dr. Elmer Washington said, “I have a question about step three something that is desired for the future. You list veterans in terms of having data available. Those persons that we are mandated to serve, institutions do not keep data on the veterans who have graduated?”

Dr. Blankenberger said, “It is uneven across the institutions. However there are new reporting compliances that are coming into play that will require the data and as we think about the veterans returning from wartime this is a population that is going to be need be circled. They are going to be disproportionately large and also hard to serve.”

Dr. Watson said, “I have one other question regarding research and public expenditures. Is it wise to keep those together or should they be separated?”

Dr. Blankenberger said, “At present they are connected. And that is a weakness. You are absolutely right.”

Dr. Watson said, “When you say public expenditure, could that be public service?”

Dr. Blankenberger said, “That is what it is. So for example in an ag extension office or at least part of the building that is one of those things that does not produce bachelor’s degrees but it is a public degree by institutions. And we do not want to penalize the institutions for spending money.”

Dr. Watson said, “And it is the traditional value and traditional purpose of the university in terms of providing the service to the community. Researching and teaching and solving some of the problems at the community providing that service.”

Dr. Phillips said, “Absolutely, and this gets back to the holistic look trying to look across all the admissions and functions of the college so we might want, I know it is a name game, but we may want to change it to service. Service really puts a square on what we should be providing to our larger community. We should be providing a service. We should be solving problems as much as possible. Our research should be connected to the problem that a continuous community provided to help solve their problem whether its agriculture, or whether is associated with economic challenge in an urban community but we should be providing service to our community.”

Dr. Blankenberger said, “And this is one of issues with both using existing data sets and not being able to capture all of the functions of institutions as we should be reporting them. So there are going to be limitations on what we are able to report but that is also something to keep in mind as we think about the amount of money that we are reserving from institutions for this project.”

Dr. Watson said, “In going back to what Elmer said and also some of the things of accomplishments when we get to certain we are going to find what a number of our universities are doing, what a number of our community colleges are doing in terms of service that is not being quantified is absolutely enormous. It is extremely valuable so I strongly recommend that we do that.”

Dr. Reid said, “One of the things that this process has done as bob and al indicated and as you have said, Wayne, this process is showing us how we need to improve, let us say, data, because we have not corrected it in the past but we now know we need it. So there is some things that we are going to be doing at IBHE, changing how we collect data, the purpose of it and all that kind of stuff as well as the colleges and universities will be making some changes. It is good.”

Dr. Blankenberger said, “Any other questions on that? One of the more difficult functions that we have had to take on one of those areas that we would like to do a better job of it and we are hoping to hone this in the future however again as starting point this has to be something that allows us to get this process moving. You note that we have had to scale the data and the scale in fact is not one that you would traditionally see as a standard statistical tool. This is something that is of necessity because of what we have got to start with. And we would be happy to discuss those sorts of things. The institutional research group is very interested in discussing that but this group may not be quite as interested in those technical details. But as you can see the baseline here is bachelor’s degrees with a scaling factor of a bachelor’s degree. So if you think about your standard algebraic ratio tools what we have done here or what Al has done is to create a standard scaling factor based on the relationship to that bachelor’s degree. We

are producing at a one-scale factor. So if you think about a masters degree is 3.86 for 1152. Now one of the things that we would like to improve here is not the masters degrees produced it really, we may need to rethink that, because the scaling factor is based on a pure ratio here. However masters degrees on a two year and are we talking about institutions disproportionately who produce masters degrees compared to bachelor's degrees. So we may want to think about that and make some changes. On the other hand doctorate and professional degrees are at 4:1 break here that may underperform at those institutions. So you can see in the weighting measures here as a starting point again as we get feedback from institutions we may be able to improve that. That is one of the reasons we steered clear of more advanced statistical methodology because this is a standard outbreak ratio that most people can get reference on and understand how we did this. And to be clear this will be consistent across the institutions thus if it is unfair for one it would be unfair for all equally."

Honorable Rose said, "Is there, when you are going through it and doing the scaling, these funding costs per FTE scale because one of the things we know is that all of our four year institutions are starting at different baselines. So how did you draw that .38?"

Dr. Blankenberger said, "That is actually why we put a question mark next to that one. We will probably drop it. But you have seen the problem, yes. The other issue is with the cost per FTE is we are talking about efficiency measures we are going to have to invert that ratio because what we are talking about is trying to award institutions for getting students through at a lower cost whether at some institutions some institutions do that very effectively and others less so, so we want to be rewarding institutions for being able to be more cost effective in liberty of a program. But at the same time if we do not weight it equivalently than we are encouraging institutions to put students in cheaper programs. And we do not want that either. We want stem filled rewards to be proportionate."

Mr. Bergman said, "Looking at this and perhaps it will be a little more clear as we go on but I am looking at say step 5 that you are not at yet but the cost per FTE and the general educational spending per completion seems to be the smaller percentages most all of you in this room are professional educators. I am a professional business man so I may look at things a little bit different that some other folks would but to me our mission is to give as many students a quality education as we can. I am not saying we should not do research and community service but I look at it our mission, our biggest mission, is to give the largest number of students a quality education as we can and we only have a fixed amount of money to do so. Therefore, I would hope that when the dust clears that we are going to put a lot greater weight on the efficiency and the cost of graduating our students or giving them a quality credit hour. To me our money is not there and it is not going to be there in the near future. That in my mind should be one of our top priorities."

Dr. Karnes said, “You can change that number two ways. We can increase the number of people with degrees or we can add cheaper faculty. We can change it both ways.”

Dr. Blankenberger said, “Yah, quite frankly the reason these numbers are low is as we talked about a minute ago we have some concerns that this is not capturing the efficiency the way we want it to be captured. The most straight forward of all of these are the bachelor, master’s and doctoral degrees produced. As a result of the weakness in these data elements we are a little concerned about weighting those too much and then having more harm done. But you are asking as we move forward we find the best way to capture this that may be where we want to put the greatest weight.”

Mr. Bergman said, “That would be my suggestion.”

Dr. Phillips said, “I would also say that part of the reasons why the bachelor’s, master’s and doctoral degrees are keeping in line with the legislation it focuses on completions. So that is why those are weighted.”

Dr. Maimon said, “Just a point quality dimension as far as university education is concerned it is absolutely essential that the teaching be research based so that connection between the teaching and research is absolutely integrated or it is not university education. So I just wanted to make that point and put that on the table because it is the discovery acknowledged when you get to the junior/senior levels at a university that every student has a right to and especially first generation students may not realize they have a right to that but I think that that is a really important point. I just wanted to make that a point of record.”

Dr. Watson said, “And the research could have an impact on retention because all research shows ways that teachers who involve their students in research those students are retained at a much higher level. And they graduate at a much higher level. So undergraduate students who are involved in research they are retained and they graduate at a higher level.”

Mr. Bergman said, “Wayne I do not disagree with what you said or with what Elaine said it may be get down to where the priority is and I agree with research and I use the word equality education and that includes research it is just a question of efficiency and how much money we are going to be putting towards that versus other things and but in any event as I say as a business man I would like to point out I give the largest number of students a quality education as we can with the money that is available. “

Dr. Blankenberger said, “And one of the other weaknesses and one of the reasons we like to have to research it a better way performance funding is not just about producing the number of degrees at a higher rate it is also about the economic contribution of institutions for the State. If we are talking about universities some of the elements that we are thinking about and if you look at Carbondale on the report they have

included several of these. We are talking about patents, we are talking about trade marking, we are talking about the statue of conversial ventures, new businesses. If we could track what a graduate is doing if we can track what a graduate potentially is earning what fields they have gone into and again that the connection to the Longitudinal data system here is the key because we are going to connect that workforce data the way to do all of that and figure out a way to reward institutions that will be ideal because we are talking about economic generation here. And that is a function of universities that obviously is something we want to reward. Any other questions? Outstanding. As we look at this keep in mind that these are not real numbers these are hypotheticals. So as we move to step 5 here we are talking about weighting mechanisms. The emphasis here is that they should be institutional based because the missions are different the times of students going into the institution are different so we really need to work with the institutions to make sure that weighting mechanisms are appropriate to do so. Step 6, this just give you an idea of what the model would like as we put into place. You will see the various steps that we go through to create a total performance value. So you have got the data element initially corrected. The data with the premium applied for those different weighting elements. I take that back, the data with the premium and then the scale factor you see the data plus the premium times the weighted and we get the overall values for the institution. And moving to step 7 as we add these across institutions this is one of the advantages of the model. It can account for any funding element. So if you decide on a set value decide on a percentage whatever it is the model can accommodate that amount. So we can as a group just move to make a recommendation that reflects it. So ideally we would like to see this amount of money or more and turn it into this project but the model accommodates for any amounts and the percentage awarded to the institution will be based on their performance value as it is created.”

Mr. Harrington said, “I am looking at this performance funding model with the measures. I am not seeing any connecting to the performance funding model.”

Dr. Blankenberger said, “The subcategories identified in the legislation are those on page 15, the performance model premiums applied.”

Mr. Harrington said, [inaudible].

Dr. Blankenberger said, “It is actually as you look at step 6 you will see the premium applied there in the production of the total performance value. It is data plus premium. And again this is a byproduct of us having lived with this, especially Al, I am sure his wife is suspecting or something, but this is something he spent a lot of time with and as a result we are a little overly familiar with it and feel free to ask questions. You may have a lot of questions as this is the first time we have discussed.”

Dr. Reid said, “Bob, you did a good job. I would like to pause here just for a second, Al. Because our consultant, Mr. Jones, has to leave pretty soon. And if you wanted to make any comments.”

Dr. Phillips said, "I have got three charts and I need one minute."

Dr. Reid said, "You can do it in one minute? Okay, go."

Dr. Phillips said, "Performance funding model. Once again all steps are identical. Accounts for each institution unique mission. Each calculation for each college or university is different it is competitive its and we will relook this from year to year. It lets the goals of the performance funding is linked to the goals of the *Public Agenda* its recognizing count for university admission and circumstances change of policy once again it says what we are trying to achieve but not how the colleges and universities have to achieve it. Last but not least the way ahead. The plans to finalize the adjustment of the model to account for variables we are still wrestling with how to balance the model. Present proposed performance funding model next Tuesday pretty much this presentation will present to our board we will meet with the college university's presidents to finalize majors, inputs, concerns, we will then on February 7 present our recommendation, we will come back to the steering committee one last time then we will present this to our board in February along with our higher education budget submission and then beyond that we will continue to work this model to the data and to refine this so that over time it gets to be better incentive to group performance and higher education in the State of Illinois. I want to thank Bob for taking all the tough questions. I will turn it over."

Mr. Dennis Jones said, "First of all I apologize for no matter how long I give you it is always an hour or two short. And you have these meetings not next to an airport that gets me home in time for an 8:00 in the morning in Denver if I do not leave at a reasonable hour so for that I apologize. But a couple of things that and I do not think that because Al and I talked yesterday at some length so I do not think they are going to be any surprises in what I say at least to him but I just want to remind you of two or three things. And you said them in various ways today. But first of all performance funding is a very small piece of a very big fiscal process in the State. And, you cannot put all the load on one little piece of the funding measures. So that is another way of saying do not try to make this do too much. Keep it simple because Bob, Ed and his colleagues in the legislature have to be able to communicate this to colleagues and the more complicated you make it the less chance it has of getting anybody to listen to is to Jay's point and to Elmer's point that this has to live in a political and public environment. The second thing is that this really is the extension of the *Public Agenda* not everything institutions do is mentioned in the *Public Agenda* and so again it is my way of saying yah there is lot of things that community colleges do there is a lot that research universities do but this ought to be refocused on those two or three things that really do tie to the *Public Agenda* like increasing the number of degrees like and contributing to economic development that not everything that you do is institutions can be so easily connected to. And so do not try to sweep everything that you do into this conversation. That is the second point that I really wanted to make. I have suggested that when we start talking about as-risk students that you really create a pool call it at at-risk and then find various ways that students get interviewed to that pool that can entered into that pool on the basis of income they can entered into that pool on the basis of ethnicity or other handicap, when the data

comes have the cap status veterans status they all contribute is a student an at-risk student or not. Okay, and just say they qualify in lots of way but there is one place in here you define as at-risk the question is who qualifies as that. And do not try to keep them separate just say you are at-risk or you are not. You go into the pool or you do not. I think the weakest link in this and the one that still needs the most work and both Al and Bob have said so is the piece of this about scaling because it is the most opaque part of this and I think there are probably simpler ways to get through that maze that show up in the model. Given what they started, they have come a very long way and they have done great work so I am not trying to throw sand in the gears here I am just saying I think there are still ways to simplify this and get it to do what it needs to get done. I think there really is important to have some major of efficiency or better say productivity in the models for both community colleges and four year institutions and I think it is appropriate not to have expenditures for FTE as that major but to have completions curve some level of funding or some number of students as the starting point for the metric. We have talked a lot about how do we do this new money carve out whatever I am just going to remind everybody that there is new money in the system every year. It is called tuition if nothing else so it is not like you are dealing with no new money it just may be no new state money. But I would argue that you I do not think that you ought to say that we cannot do this at all with no new state money. That you have to without new money I think that you have got to start and if it takes a carveout so be it but I just do not think that it makes sense to say we are going to go through this and oh by the way if it is 20/20 only see new state money we will kick it in then I think that a politically untenable position for our education to be in. that is an outsiders perspective you will do what you will do but I just think that this is too important in the demonstration to the public of what you are doing to say we cannot do and you make it all about the money. I really do agree with Elmer's perspective on this. So, and I really do applaud the way you have stated it over and over again that this really is about the end result not how you get there and if there is anything that I fight all around the country it is at the state level folks trying to tell institutions how to do their business so I really appreciate the effort to say we really are focused on the what and not the how and so yes there are lots of things that we talked about career pathways about articulation transfer arrangements all of those things. At the end of the day those are hows. And they are buried in here done well lots of incentives for four year institutions to take two year transfers lots of ability in here to reward two year institutions for transferring those students I think there are two big definitional issues that still have to get addressed and one of those is at point is a transfer really a transfer rather than just somebody who went to summer school someplace at took six credits and went back to the home institutions. So nationally there is kind of a line drawn that says you accumulate at least 24 hours in a community college and then go someplace else, that is a transfer. If you do less than that you are not going to count it but I am not going to say that is exactly the right answer for Illinois but you have got to really come to some agreement about what is a transfer. And the other piece is what is a certificate. That is at the national level a monster issue because at any institutional level you could say these three courses create a certificate we are going to take credit for it and you have to be much more specific about it. Is it employer recognized, externally validated. I mean something has to be there that says that it is a certificate of at least 30 hours I mean

pick some definitional issues but you just cannot say any certificate is a certificate so end of comments, I think. You are about 90 percent of the way there. This is not easy work. As Al particularly knows. But there is lots of slip between how and doing this always. But I would be glad to respond for a few minutes at least to challenge just what I have said.”

Dr. Aminmansour said, “I was not too sure about whether I understood your point about there is no money and that is tuition. Perhaps you can explain that but I know that tuition has been going up considerably the last several years but that is because state funding has been going down.”

Mr. Jones said, “But what I am saying is that the institutions in fact have more money.”

Dr. Aminmansour said, “The net? You are saying that we have more money that we did before? I do not believe so. I mean I am not in the position to have the numbers but that does not seem right to me.”

Mr. Jones said, “I guess what I am saying is if I look around the country and working with half a dozen states that are having the same conversation most are saying I do not care if it is new state money or not we are going to do it. One. And two, the numbers are they are working in Louisiana the number is 25percent of the allocation will be performance based. That is a nontrivial number. Colorado has that same legislative statement.”

Dr. Aminmansour said, “That was not my question. My question is I still do not get how, if I recall 30 years ago you would get about \$17 state dollars for every tuition dollar so we have loss significant state funding.”

Mr. Jones said, “But what have your tuition dollars done? “

Dr. Aminmansour said, “They have offset the money that we have lost from the state. So I do not think there was a gain I would not call it a gain. We are still surviving we are still here so the money that we have lost from the state has been replaced by some other source including tuition and we are suffering in addition to that but I would not say that there is more money. Maybe I misunderstood your point.”

Mr. Jones said, “Well and I will admit to not having looked at the specific dollar numbers in Illinois. If I looked at the picture nationally dollars per student total for tuition and appropriation are in fact higher or at least maintaining in spite of all this there really has been offset.

Dr. Aminmansour said, “So if I am wrong, I am wrong.”

Mr. Jones said, "That is not at the heart of my argument is at any level I think you have to make some, you know, if nothing else to be legal because you have got to mandate that says that in year 2012 or about and do something. I am just saying at the end of the day when you do this history is that not large numbers move around, you know what I mean, all institutions are formed and there are ways to put stop loss provisions in so that institutions do not get clobbered. There are ways to do it but I think that you ought to create a mechanism that in fact does it rather than just avoid it. That is really my point."

Dr. Reid said, "Okay, where I think we are now is at the moment of my question to you that this is, Al if you stand with me here, but this is, some other states have tried this. I thank you, Dennis, for coming we appreciate very much Dennis, we appreciate you, Dennis, thank you so much."

Mr. Jones said, "Some folks appreciate me more than others."

Dr. Reid said, "So we have gone through this process for as I said in the beginning almost now six months and we have arrived at some sophisticated information to pass onto our board. But we all agree that this is a very dynamic process and the deeper that we dig into the more we realize how much more we have to do. But I think as Dr. Washington said earlier so many more of you have echoed that we need to make a start and so the question I have for you is are you comfortable that we have made enough advancement to make a presentation to the board to start this process appeal to the budget for fiscal 2013 by virtue of the outperformance funding work that is the question. To put it another way is there anyone who disagrees that we can approach the board with this, is there anyone who says no we should not?"

Mr. Bergman said, "I say this as a member of the board, as a member of the steering committee I understand that there are some legal requirements based upon the legislation that is passed. And I certainly see no problem with making the presentation to the board as to where this committee is at this point but I do not know and maybe I am misinterpreting things but I do not know that anybody could make any presentation to the board at least where we could say that this committee endorsed it and say alright we should do a million dollars per university per year in state funding or come up with something with respect to the actual funding. And I am not talking about the minutia of whose going to get how much for what but I do not know that we are in that position yet. Maybe you disagree but I think we almost need somebody to give us some options and have another meeting and at that point perhaps we can at least achieve a consensus of what way we should go."

Dr. Karnes said, "I agree with Jay. I do not think we are there yet. I do not."

Ms. Meghan Bassett said, "We are concerned about the momentum points and some of the momentum points that have actually been recommended are the opposite of what we suggest. So we have a couple of suggestions that we will mention."

Dr. Carroll said, [inaudible].

Dr. Aminmansour said, "I definitely do not think we are at a point to make a presentation as a final recommendation to the board but I think it is also a great idea to share with them where we are and let them know what we plan to do next, what the next steps are."

Dr. Reid said, "that is exactly what we had planned to do."

Mr. Monaghan said, "Also I would just kind of inquire as to what you mentioned that you are looking towards the FY2013 budget which would effectively go into existence beginning July 1, 2012 and I am just wondering how that matches up with when data becomes available for the same period of time on which to base all these metrics. And I am not certain that the examples here in terms of matching data (tape stopped)."

Dr. Blankenberger said, "That is why this year would be the baseline so that the first year would be established for that baseline and then the incremental change which would be rewarded, the institution would be rewarded based upon their improvements that would be, you are right, you are absolutely right the first year we have to do the baseline year so your essentially splitting up a pie based on the performance measures the stature of what it is now you cannot award people for doing something they did not know they had to do. Having said that some of these measures are obviously [inaudible] but in different behaviors obviously we refer to as data changes."

Dr. Karnes said, "So how would that work?"

Dr. Phillips said, "The data aligns just by nature for instance some community colleges are funded based on enrollment from two years ago so we have to use whatever the best data is that we have to establish the baseline something that does not exist you have acquire but the goal here is to like bob said to start the baseline with the data and subsequent years performance would be based on improvements from that baseline."

Dr. Karnes said, "I was just thinking how operationalized that would not we better to look to the unresolved issues committee that said use FY 12 performance based line and then when we get to July 13 which would actually be FY 14 money that is the first piece of the item you would be looking at."

Dr. Phillips said, "One of the challenges of funding is setting money aside in the current year to see what the performance is and then hoping that in the end year was the funding would make more sense to say for the 14 year budget the performance piece would be based on FY13 performance so that would be about I do not know how exactly we are going to do that but that would make sense if we get the funding along with all the rest of the funding based on their previous year's performance."

Dr. Bergman said, “I was wanting to say I agree to and have been wondering about this from the beginning. I am totally in favor of performance based funding but to put something now or in the next several months in the budget for FY13 it is almost impossible because we have not even set up the criteria of what a university is going have to, or a community college, is going to have to do earn it. It would seem to make more sense to me is maybe if we could convince our friends in the legislature that we are dedicated to this but we really cannot but maybe it is not to put something in this next budget but to do it the following budget and give all of the universities, the community colleges, the knowledge of what they have to do to earn it and then give them time to earn it.”

Dr. Phillips said, “What the legislation says is that our budget submission has to include performance funding. It does not say to what extent. It does not say to what amount but it has to be incorporated with our budget submission which can mean a lot of things. It could be the establishment of the baseline model. It could be many things. It could be, I think it also talks about the amount, it could be a very small amount, it could be hold harmless there is a lot of things it is not specific in terms of exactly what that means other than it has to be incorporated in our submission.”

Dr Reid said, “Again we will know more when the legislature decides what is going to be in the budget.”

Dr. Aminmansour said, “I wonder if we could ask our state leaders what their thoughts are.”

Dr. Reid said, “Yah, we will. Hold on I just want to make certain that we are clear about what I intend to report to the Board. I intend to not report unfinished product at all. I intend to report the work that we have done and a make a recommendation to the Board about how we go forward with this considering all of your comments. And so, and to say to the Board that we will continue to work with this until we perfect it and to see if the Board wants us to go forward with the 13 budget and how if it does not then what should we do. And we will make some recommendations to the board but of course the board will decide. That is what I plan to do and that is what I was trying to get your ideas about if that is okay to do. I am going to make sure that its okay. I mean you feel alright. It is a progress report.”

Dr. Carroll said, [inaudible].

Dr. Reid said, “Correct, that is exactly my intent.”

Mr. Frank said, “So, you intend to say, go to the board and say yes we intend to move forward but no at this point we do not have a specific recommendation.”

Dr. Reid said, “We do not have recommendation on dollars because we do not know what the legislations going to do. We do have a recommendation on the process.”

Dr. Phillips said, “What our intent is to do is to present to the board pretty much what we talked about today. Just to bring them up to speed talk to them about the model talk to them about the measures what we have accomplished that its more or less a progress report to the board as to where we are with the performance funding effort and then later on in February we have to go to the board with a recommendation but I agree with Larry we have got some more work to do.”

Mr. Frank said, “I mean just to reiterate the problem that I have and I do not want to IFT here, is that I need to take this back in order to pass our small board of 100 or so people and see if we can get by it organizationally before I can say yes the IAI? Is on board with the product. Yes, we agree with the performance funding and the goals they set out on the *Public Agenda* but it is another whole thing for us to say we support this particular recommendation. And unfortunately our process is unruly enough that that is going to take some time. So I am completely comfortable with what happens as a progress report especially given prior to what our January meeting can freeze those things so we can actually talk about what the ultimate recommendation is going to be in terms of the pie. And, that is just a personally thing I guess for me but I think there are others in the room who will share a similar thing with the challenge.”

Dr. Reid said, “As I see it, what we want to do is to say to the board this is our work over five months this is what we have to do in January to build the budget for 13. Some of that we do not know yet because we do not know what the legislature going to do but as we move through January some of that will be cleared. That is why we are going to have this meeting with you before the February board meeting to bring you up to date as to what we know from the legislature by that time.”

Honorable Maloney said, “On this issue clearly we are not going to have unanimity on the process on every metric and things like that it is just not going to happen by the general assembly accepting the Governor’s budget. It is not going to happen. So I think giving the board a progress report but ultimately realizing that a final report will have to be made after we get their input we are going to have to accept the findings of the board because I believe the legislation says the board wants to share. so I think some of here are going to have to accept the fact that everything in here may not be totally acceptable to us but we have to move forward and finally I do not think it is a good idea to go back to the general assembly and say let us push this off of here. It is going to lose steam. It is going to lose importance. It is going to lose creditability and so whatever we come up with no matter how it may not be of significance that we want it to be initially but as Al said build on that from year to year. I think it is important that we move forward.”

Dr. Reid said, “Do you we have consensus on that? Thank you so much. I do want to say before the legislators and Julie speak to us that the work that Al Phillips did

and that was really assisted today by Bob Blankenberger was extraordinary. Considering the hours he spent and the knowledge he gained over time for baseline of no knowledge to where he is today so if you could join me in giving these two guys (applause) and they were willing to make a report at the board meeting and I put into some contacts they were making substitutes. I want you to be aware of where the legislative minds are at this moment about performance funding and the possibilities and where the Governor's Office is. We lost Chapin Rose but we still have Naomi Jakobsson, Julie Smith, Pritchard and Ed Maloney. So I am going to want them to come and just speak on that as they would about this, how the way forward. Just before they speak I did want to recognize Bill Perry. Thank you so much for coming. We will start with Ed."

Next Steps – Legislative and Gubernatorial Outlook

Honorable Maloney said, "Thank you for all your work Bob, Al and Bob. It truly was remarkable and interesting in terms of getting us to think about those things. I think that right now the higher ed community has had continuously has all the rational amount of work to move forward on this issue. I do not think anybody can argue the philosophy of performance based funding. I think the reason that we were able to pass this legislation and I have said this before as did our homework we did not just drop into the higher ed community with a bill. We talked to people beforehand; we talked to the key players beforehand; we got them to buy into it. Now keeping with that philosophy I think we need to submit this work to those same people. To leadership. And I am not just talking about dropping a chart on their desk but I would help along with Julie and Bob facilitating meeting with leadership so that we can demonstrate to them just exactly how serious we have taken this issue and how important it is. Dennis Jones showed me prior to the meeting irrefutable evidence of the fact that the increase graduates has a positive impact on the economy of the State of Illinois. So, if we can get the leadership to buy into the fact that this performance based funding is an investment you know and take an aggressive stance on them I have said this before as well then in order to give this real meaning and in order for it to better the State of Illinois economically and every other way, we need to see some increase funding. This is the position I will take anyway and so the key to success of this up to this point is that everybody has been involved and I think we need to continue to do that if we are going to ask, advising is going to be a key point in this. I think we need to let counselors know that you are going to be part of this and if it is going to be successful then you are going to have to involve you. If we are going to address the remediation issue we are going to have to let high schools know that you are part of this success and you are going to have to get involved in this. So I think that again the communication piece is important and I think we need to make this presentation to leadership prior to the budget. I think that this to be part of it, to get the momentum going to keep the momentum going we have got to sell how important this is prior to the budget. We cannot wait till the Governor introduces his budget in March because we get lost in every other priority that goes on, whether its social services, K12, corrections or no matter what it is. So it thinks we need to be out-front and aggressive. I know the holidays are coming up but certainly in January we need to make this a priority issue and with Julie's help and Bob's help and I will certainly be aggressive about

contacting members of my committee to do it so the momentum is here I think that the whole acceptance of the philosophy is here and I think that we need to really be aggressive in advancing that now rather than later because I am certain that if we wait until after the budget or we do not have input to the budget prior to its being formulated the whole concept is going to get lost.”

Honorable Pritchard said. “I would just add that this is a process but there is also a deadline and as Ed said we have got to have something in this 2013 budget and this effort is not an isolated effort. Budgeting for performance is parallel to another act that passed in 2010 giving budgeting for results. And, I think higher ed is probably further along than any of the other agencies because of all of your efforts. And I compliment all of your efforts because this is a lot of work. But as we come down to our final recommendations and what we could element and what we could explain to somebody else I come back to Dennis’ comment of keep it simple. If we only have data for the graduation portion of it, then let us just use that data. Let us do not manipulate it and use smoking mirrors to come up with numbers to say we are making progress on 15 different measurable. Let us keep it focused to what we have sound data on and that we can explain with confidence to other people. I think it is important that we continue with this effort as Ed just said. We have got to show some progress. We have got to show and again collectively I think with all of your help demonstrate to our leadership and to the general assembly the criteria importance of higher education right now in our State’s economy. I mean we are in the pits. So if we are going to try to get out we have got to do something with better training our citizens. And, that is all the way from community colleges on up to four year degrees or higher degrees. So I think we have got a contribution to play we can show numbers that say a higher percentage of graduation a higher percentage of citizens with degrees of some type or certificates formulate into higher income taxes that is a powerful message and that is kind of the message that we have got to crack together and work together will all the members around the table to help sell and help convince the legislature for the priorities. Because if you have already eluded and some of, jay, I think you and others, have already said our economy is not recovering we are not going to have the kind of money to put millions and hundreds of millions of dollars into this process. In fact as I have looked and some of our staff have looked at next year’s kind of measurable we are looking at maybe revenue that will grow by 2percent but we are looking at critical expenses and that is pensions and that is salaries and that is healthcare for employees. Just the critical elements are growing at something like five times that. So you can see the challenge that we are faced but we have the wall that we are coming up to that we have to show some progress. And we have to show that were looking at results when we ask for whatever dollars we can ask for and to degree we have put together an effective plan I think we are better able to look at the dollars that we can get. That it will not be a big subtraction maybe it is flat to me that is a win situation and I think we can get there based on the work we have done and what we collectively can tell. So I would just say we are getting there and we have got to work with leadership and then we have got to work with the general assembly.”

Honorable Naomi Jakobsson said, “Thank you very much. I am going to be brief because as a legislature I have a moving in Kankakee and I might be late for it but I wanted to stay as long as I could here. And, I certainly agree with everything that senator, colleagues, and house have said and I want to work also with leadership. I hope I can help with that and the chair of higher ed I hope and believe I will have some roll in it. And, the work that has been done by this group is just outstanding. I know some of you felt like, you know, gosh, did we really accomplish what we should have. And I think you have accomplished a great deal. And, that does not mean any of us think the work is done but the groundwork has just so been so laid out so well. I hear people saying we have to have more money to do this but I was also glad to hear some people say let us not give it up if we do not have more money to do this because as Ed said, we are looking at projected revenues, we know they are not where we would like to see them be and yet when we do education more people and I think that is one of the key things that you had in there is making sure that people complete whatever they they have set out to do. Whether it is somebody whose just needing some course to get that job or what we hope, because we need to get to that 60percent, is for people to complete their education and not looking for fall through the cracks we are not to improve the economy if people just keep taking courses, we are going to improve when people complete it and are able to be contributors to society. And I think that is everybody’s goal so thank you all for all of your work that you have put this and that I know you are going to be continuing at and I will be too so thank you very much.”

Dr. Reid, “Thank you so much. Thank you, Naomi. And, thank you, Ed, and thank you, Bob. The legislature will allocate in the final analysis whatever it is that they have but the whole process will start with the Governor’s office and the Governor will propose a budget and I wanted Julie to come forward to give us some idea about the way forward in that regard.”

Ms. Smith said, “I think I would just echo the same kinds of things that the legislators have said already there are huge challenges in the budget, in the budgets ahead for numerous years to come so we really have to think as creatively as possible about how we can achieve some of these things over the next few years. I think particularly in higher education there is great capacity and a great creativity to think about how we establish the metrics and work towards achieving success in those areas. The Governor is and the Governor’s office is just beginning the process of ongoing discussions with each of the agencies of higher ed of education K-12 about what might be needed for next year’s budget. That process will continue through December and into early January before final formulation would take place for budget proposal that will come at the end of February. But at this juncture the Governor is very open to listening to these discussions, thinking about how we might, and I do not think anyone has the answers as yet as we have seen today, in our discussions about how we do this but I do agree very much with Senator Maloney and Representative Pritchard that the momentum is there and we have got to build on this. And, budgeting for results, performance funding budget are critical in budgeting they are going to be looked at very closely and so finding ways to demonstrate the successes that you have are going to be important pieces of the budget as

we move forward so I think that at this stage it is very open as to the how but I think that we need to do something as we think about the FY2013 budget to incorporate all of the work that is been done today to this process.”

Dr. Reid said, “Thank you very much. Alright, I wanted to tell you that we will handle it from a team approach and I will report to the Board. Lieutenant Governor Simon will join us, Ed Maloney, Bob Pritchard, Julie Smith will join us in our discussion about performance funding at the Board and of course the staff, Bob and Al will do the substantive work along with Rita Cheng who will talk to the Board about the principles upon which we have done this work. So that is the team that will go forward as we work with the Board. The idea is to have the board to say you are on the right track continue your work and carry us as far as you can in the budgeting process with performance funding with fiscal 13.”

Dr. Aminmansour said, “I just would like for us to go on record in expressing our most sincere gratitude to our leaders while they are still here and let them know how much we appreciate their insight, their advice, and their hard work on behalf of our education and to say that we are very fortunate to have them on our side.”

Dr. Reid said, “And thanks to President Gayle Saunders for all of her hospitality, the good food, the good drink, the good warm climate, everything. Thank you so much. Is there any other comments? Larry Isaak is here. Larry would you approach the podium to give us a few closing remarks.”

Closing Remarks

Mr. Larry Isaak said, “I hope closing remarks does not mean the benediction, George. I am Larry Isaak. I am president of the Midwestern Higher Education Compact which Illinois is one of our 12 state members. Some of my bosses are in the room, here today, who are commissioners, Senator Maloney, George, Representative Pritchard, Representative Jakobsson, and Addison as well as Susanne Morris from the ICCB. I am going to just make a few comments because we have been tracking and following and working on this issue for a number of years as well. In fact, I think we have may have held one of the first conferences about performance based funding a few years ago that you can either thank you us or blame us, whatever, but it is a reality and it is something that is here to stay. You are the third state in the Midwest who is really taking a serious approach at this so you are in the top 25percent. And, I compliment you on stepping out and moving ahead on this. It is not easy. It can be a game changer. I am going to assume that you got into this because you are worried about Illinois having a successful economy into the future. Is that a safe assumption? And, I am going to assume that you know that the way to that successful economy is by having a highly educated citizenry much better than any as today, because that is what is going to get you there. A highly educated citizenry is today’s goal and it is the goal of the future. Admissible flow where there is a highly educated citizenry. Whether that is in these 50 states or whether that is in China or the number one country in the world in terms of highly educated citizenry,

Canada. And, so that is where business will flow. And so it is an economic issue and I applaud you for getting above it with a sense of urgency. I would also like to encourage you to look at this from the students' perspective. Many times we can get caught up in looking at it from a state's economy's perspective and so forth. But I have categorized the way students look at this and what I call the three "p's" price, pace and productivity. What is it going to cost me? How long is it going to take? And how am I going to be more productive and improve my standard of living as a result? That is what most people are interested in. What is it going to cost me? How long is it going to take? And am I going to be paid better either through my own entrepreneurial efforts or otherwise as a result. And I think if you keep those three p's in front of you you will also blend those in with whatever productivity or completion measures you put into place. You cannot forget about those in this equation of completion. Price is important. Students do not know how much it costs to complete their education. They know what they have to pay, the price. And, so I think you also need to look at that. You may want to look at incentivizing some of that in this process because that still is an important to completion. How are institutions managing their cost and efficiencies I think is the way Dennis put it and so forth. So, I just want to compliment along those lines. You have got a lot of positives in here, things that we see in other models. I think the issue of transfer that I heard today, I think you have got a little ways to go on, that one in getting some agreement about missions of your four year institutions and your community colleges and getting some agreement about all of that. You may want to look at putting some credits in for transfer both ways, both descending institutions and to the receiving institutions because you can affect behaviors that way as well. So, I commend you. I could go on with a lot of other things but I am between you and getting on the road and a late lunch, I know that. But those of some of my thoughts, George, keep up the good work. I would be glad to come back and give you further analysis or insight into some of these but I will leave you with this. If you can do, the way you can see this, how many of you think that the media affects outcomes? Anybody? So, in terms of higher education when we talked about participation and completion what is the biggest headline of the year in the local Decatur newspaper? How about enrollment? Thus, far x number of students enrolled. How about if we could change the headline to how many completed? Because that is what it is really about in the end and that is what you want the headline to be, I think, five years from now. So, I will leave you with that thought. Thank you very much. I appreciate being here, George."

Adjournment

Dr. Reid said, "Thank you so much Larry. Is there anything else? If not, this meeting is adjourned."