

MINUTES
PERFORMANCE FUNDING STEERING COMMITTEE
January 6, 2012

A meeting of the Illinois Board of Higher Education Performance Funding Steering Committee was called to order at 10 a.m. in the Library, 4th Floor, Atrium at Chicago State University, Chicago, Illinois, on January 6, 2012.

George W. Reid, Executive Director, presided.
Cindy Kolley was Secretary for the meeting.

Welcome and Introductions

Dr. George Reid said “I would like to call the meeting to order. Let me call the meeting to order please. As is customary in our meeting I want to welcome each of you, those of you who are sitting around the table, several of you around the table and then I believe those of you who are on the phone. My understanding is that Lieutenant Governor is going to join us in a few minutes and when she does depending on if Sheila Chalmers is in the room on her senior staff to let us know we will give her some opportunity to say a word or two. We also want the legislators who are here today, I think I saw Ed Maloney come in, and Bob Pritchard is here as well as the Governor’s office senior officer for education, Julie Smith, is here. I want each of them to have a word or two to say. So for those of you who are on the phone, are they on the phone, could you introduce yourselves.”

The following Board members were present:

David Anderson	Santos Rivera
Jay Bergman	Elmer Washington
Frances Carroll	Addison Woodward
Carrie Hightman	

The following Committee members were present:

Abbas Aminmansour	Geoff Obrzut
Larry Frank	Liz Ortiz
Tim Harrington	Christophe Pierre
Elaine Johnson	Honorable Bob Pritchard
Anne Ladky	Julie Smith
Jeff Mays	Wayne Watson
Honorable Ed Maloney	

The following Board members were present via telephone:

Heba Hamouda

The following Committee members were present via telephone:

Mike Baumgartner

Rita Cheng

Honorable Naomi Jakobsson

Dennis Jones

Susan Kleemann

Elaine Maimon

Gayle Saunders

Sheila Simon

John Sinsheimer

Brad Tietz

Jerry Weber

Dr. Reid said, "I forgot to say so, but Happy New Year to all of you. Thank you for coming back to hopefully the last of our meetings. Happy New Year and welcome to our sixth in a series of meetings on performance funding. We have Bob Pritchard who is here with us just before the Chairlady makes some remarks I would like for Bob and Ed and for Julie to say a few words. Bob."

Honorable Bob Pritchard said, "Thank you and good morning. We are reaching the end of a long process that I think has strengthened what we are trying to do and that is to gather input from various voices around higher education as we look at what I consider to be one of the most critical issues we have before us and that is how do we help our citizens become more successful through education. I think we have a lot of demands on our institutions but there is none more important than the student and student success. And, clearly what we are trying to do in this metrics is look at student success and various kinds of students that will be critical as we try to reach what the President has laid out his goal for reaching that 60-65 percent graduation rate or people with some degree of certificates beyond high school. One of the challenges I know for many of us is how we are going to fund this, how we are going to do it. Clearly the legislation that the legislature passed says we are going to implement this system. So we have got to move forward. And the question is, how do we move forward as quickly as we can but respecting the fact that we have to gather data and we have to perhaps change some processes in our various institutions? And, I think the plan that we have taken one of the early speakers said do not rush into the system. And, I think what we have laid out here in Illinois has been a thoughtful process. We have talked about the fact that this is going to be phased in over a number of years and what we need to do is to start the system and then build upon it both in terms of financial incentive as well as in the outcome expectations. So, I think we are all heading in the right direction. Clearly as we are all aware the Governor has laid out his three year budget view and that budget view is very austere. So, I think that also needs to be a part of our thought process that we are not going to get a lot of new money this next year and we will certainly be fighting to get additional money because I agree with all of the sentiment that has been expressed that higher education funding is really taken the short shift over the last 10 to 15 years. So, we need to do more in higher education to fund the expectations of more citizens. But

that is going to be very difficult in the next few years so those kinds of expectations I think have helped shaped what we are recommending and hopefully we can all agree and help share this information with our various institutions. Thank you.”

Dr. Reid said, “Thank you, Bob. Ed.”

Senator Ed Maloney said, “Thank you and good morning. I think it is interesting to note that I was an hour and half early for the Carbondale meeting and I live four miles away and I was a little late here today but thank you all for your participation. I said at the outset that the adoption of the legislation was the easy part. You know that we got the bill passed and it was because everyone, as I said we did our homework prior to that, but that the difficult thing would be the process of establishing the metrics. And, if I can make a comparison, I think this is akin to my participation in senate bill 7, the education overhaul plan that when we sat down it appeared that this was an impossible task but I think that the fact that everybody has been involved in this process and what I have been most proud of is that people have respected all of the viewpoints that have been raised and so whatever comes out of this we can say we listened and we learned from each other. And, while there may not be unanimity I think that whatever comes out is going to be a positive step toward what we are supposed to do and this does not mean we cannot have periodic review of what the process will be but again as Representative Pritchard meant the Governor’s budget for looking at the next few years it is going to be difficult but I am glad to see that the Governor does seem to have education as a priority and higher education certainly would be a part of that priority and again I look forward and thank you for your participation in the entire process.”

Dr. Reid said, “Julie.”

Ms. Julie Smith said, “Thanks, George. And I would like to do the same in extending the thanks to all of those who have participated in this process. I know it has been a challenge as all of you have tried to struggle with making decisions around what kinds of metrics should be examined and how do we gather that data and it is not an easy task that we are undertaking here. As both the Senator and the Representative have noted we know that the challenges of the next few years are going to be equal to the challenges that we have faced for the last three or four now. And so we actually had the opportunity during the month of December to meet with all of the state universities and with the community college board and in those discussions it is just very evident about how much each of them are struggling to balance the choices that they have to make around decisions related to resources. And so as we think about how we move forward with this we have to recognize that we are doing so in an extremely difficult time. And that we have got to look for creative and innovative ways to bring this about and to be as efficient as possible in trying to make decisions about how we use our resources so that we do achieve some of the very important goals that we have articulated for the State. So, thanks again.”

Dr. Reid said, “Well thank you very much to all of you. Joking I said at one of our former meetings that all of the hosting has been done by the lady presidents and I sort of turned to Wayne, jokingly and said, why do we not have a meeting at Chicago State. And, he said well, we will. And so as we moved forward to plan this meeting I called Chicago State. The staff here was just magnificent accommodating and as you can see the environment is just excellent. But I want to give Wayne this opportunity to say welcome and a few words. Wayne.”

Welcome – Dr. Wayne Watson, President, Chicago State University

Dr. Wayne Watson said, “Thank you very much. I was hoping my colleague, Rita, are you on the phone because I ordered this weather for you. I was not able to make it to Southern Illinois when the meeting was there and she kind of razzed me about it so I said let me get some good weather for Rita if she is going to come up. So, I did this for you. First let me say, of course, welcome to Chicago State. I must acknowledge and thank George Reid and his staff, Arthur Sutton, Bob Blankenberger and Dr. Alan for working with us for the last two years in terms of helping us get through some very difficult times, very challenging times. And, that must be stated because we are a university that is in transition. On behalf of my board of trustees, my faculty, my staff, without a doubt, we welcome you to Chicago State. We basically have a tripartite mission at Chicago State University the last two years in terms of helping us get through some very difficult times, very challenging times. And, that must be stated because we are a university that is in transition. Now, let me tell you a little bit about Chicago State. And, that is teaching, researching, community service. I am not going to talk to you about teaching you all know what teaching is. You know what research is. Community service is something that Chicago State it is part of the fabric, everyday fabric, of what we do. We must integrate; we must engage and embrace the community around us because if we do not do that we do not meet the mission of our University. Now, teaching is core. No question about it. Research, we are doing research. But we must engage the community. Our community has a high demand, high need. Now, the theories we embrace as educators must always be aligned with the reality that our community is facing. So often universities miss that. At Chicago State we keep that up front. Let us not get too theoretical you know we have some life and death situations in Chicago and we need to make sure that our research and our teaching addresses those issues. Our mission has recently been changed we are now very strongly into entrepreneurship, social justice, leadership and transformative educational experiences. Our University has 35 undergraduate programs, 24 graduate programs, two doctoral programs and nine certificate programs. Now, the University is going through a transformation but there are pillars of excellence at Chicago State University that our faculty and our staff have worked on for the last 10-20 years and that must be acknowledged. Do we have challenges beyond that? Yes. Are we addressing them? Yes. But let us look at the pillars of excellence. We have established an aquaponics program. Aquaponics, hydroponics program at Chicago State. It is an intergenerational aquaponics/hydroponics program within a middle of a food desert as you notice outside of Chicago is a food desert. We have established that type of program where we are

actually harvesting about 3,000 tilapia fish every quarter. And, we set up something where we are going to be selling them; we have already starting selling them to different restaurants. We are going to make them available to the community, where we sell it to the community. We have got the community service part but it is also tied to the educational research part of our University because our faculty are driving the aquaponics/hydroponics program utilizing our students to do research. We have a pharmacy program which you graciously approved and we are one of two public pharmacy schools in Chicago. We are ranked 11th nationally in terms of being diverse. There are 119 pharmacy schools we are the 11th most diverse pharmacy school in the nation. We will graduate our first class, PhD in pharmacy this coming May. We have about a 96 percent retention rate, so we started out with about 90 plus students; we retained about 96 percent of them. They will be getting their PhD this May. Let me talk to you about our physics department. Our physics department is one of the top five teaching modeled physics programs in the nation. In the nation. Now what does that really mean? That means we teach teachers to be physics teachers. Think of the ripple effect of that. We are located in a high risk community. When we teach these individuals physics they go where, to high risk schools and teach physics. The ripple effect of that is that we will have physicists coming out of the south side, the southwest side, the north side of Chicago. Once again, we are ranked one of the top five in the nation in that area. Another area is CERN. CERN is a project that takes place over in Sweden, every year for the last two years we have sent undergraduate students to CERN to do research. Now this is nothing that is light. Over 100 universities send their students to CERN to do research. There are only two universities that have undergraduate students that are allowed to go. We have been invited back now for our third year. It is an eight-week project. You go to California for two weeks for orientation then you go over to Switzerland for about four weeks and then you come back for one week of debriefing. Another thing is, well our nursing program, we have 91 percent pass rate on our nursing program. We have just got approved for masters in nursing and we are working to build that. Our physical and natural science degree program is ranked number one in the State of Illinois for graduating African-Americans. Just two more things: CSU ranks number one in Illinois for producing the largest number of African-Americans graduates. Nearly one out of every five African-Americans from Illinois, public universities, earned their degrees from CSU, one out of every five. Within the City of Chicago, CSU produces 58 percent, nearly 60 percent, of all African-American college graduates among public universities in the city of Chicago, 60 percent comes from Chicago State. And I must say Chicago State has also been ranked as one of the safest campuses in the State of Illinois. We are right in the heart of some challenging situations and we are ranked among the safest. So, our faculty, our staff has done just a phenomenal job. These are some of our pillars of excellence. Last thing I want to say is the last two years, CSU has been going through a transformation but the transformation as I look back in retrospect is really preparation for the performance funding challenge that is before us. In one way, when you talk about the different metrics that we have been talking about for the last six months, CSU has been looking at its enrollment, retention and graduation metrics. 70-80 percent of everything we have talked about for the last six months, we have already been there and started doing it and started redefining it. It is a

daunting task, believe me. We are changing our culture to address it. Changing our policies; redesigning processes. It is not something where you push the button and you do tomorrow. So, we at Chicago State, look forward to the opportunity but also must be honest, we already had a head start. We started two years ago. Once again, I want to thank George and his staff. Carrie, I want to thank you for your support of Chicago State University and just the universities as a whole. Thank you. Oh, my staff is saying one thing to me; we need the phone participants to mute their phones unless they are talking. Also, please ask attendees to turn their phones off. Thank you.”

Dr. Reid said, “Thank you, Wayne. It is, uh, take it with some trepidation to ask a university president to say welcome because you know they have a lot to say about their institutions and we are glad to hear you say it, Wayne, we know that you are in a very challenging time and your leadership is appreciated. We will be supportive at the Board as much as we can be, just count on us.”

Dr. Reid said, “One of the benefits of this day is that we have the Chairwoman of our Board here and we want to hear from her. She has some ideas and some comments that she would like to make to all of us. Carrie.”

Chairwoman Carrie Hightman said, “Thanks, George. First off, I really want to thank all the participants who have devoted a lot of time and effort to these meetings. Performance funding is going to be a key feature of budgeting and of allocation of resources in this coming year and all the years ahead. And, so it really is essential that we have the views of all the stakeholders as we come up with this proposal. I want to particularly give credit to the staff, folks sitting at the table right in front of me, Bob, Arthur, Alan and George and all the other staff people probably behind the scenes, not that there are that many, who are supporting the effort because this is like an addition to your day job, I know. So I really want to thank you on behalf of all the stakeholders of higher education in the State for all the work that you guys have done. Really appreciate it. I do not have a lot of great ideas like George might have suggested. I am just here to understand, to learn, and to prod a little bit and to make sure that we tackle the tough issues that are before us. I do not think I could agree any more with the comments of our two elected officials who spoke and of Julie. I think Julie in fact you probably summed up almost how I was thinking of saying what I wanted to say, you summed it better than I could have. Let me just give the conversation for today a little bit of context in the way that I look at it. And, you can all tell me if I am wrong about the way I look at it. But, we adopted a *Public Agenda* for higher education several years ago and set forth certain goals and looking at performance funding specifically it fits right into the core of all of the goals of the *Public Agenda*. And, you know it is interesting we have a really tough set of facts here. We would have this tough set of facts regardless of whether we are looking at performance funding but what I hope that we all will do as we think about how to proceed and to address the tough issues is to think about how great you will view performance funding in better economic times, right? Because it is an opportunity but it is a two-edge sword. But in the end the goals and the purposes of having performance based funding whether it is funding like this or incentive compensation for employees of

companies it is to get the right outcome. And we all have the same idea of what that right outcome is. So, as we go through this conversation today, I want to emphasize a couple of things that are important to the Board and to the staff and number one is that we all have to remember that we have to be responsible stewards of meager State resources. That is number one. Number two is we are trying to meet the goals of the *Public Agenda*. Number three, and nobody disputes those goals are the right goals. Number four is I think performance funding is a logical next step in meeting those goals. So, it is hard to argue against it is my view. And, I do not think anyone is arguing against it. It is a question of how you implement it in a very difficult economic situation. And, so what I think we all have to do and this is easier said than done, and this is like flowery words but we have to balance implementing what is now a statutory mandate, balance that with the difficult economic time to end up with the right solution. Recognizing that every year is going to be different and hopefully we will see some improvement, I mean there are some good signs here, right, but we know it is not necessarily going to help us for this upcoming fiscal year. We have to come up with a proposal that is simple enough to explain to the legislature, for them to explain to their constituency, for us to explain to all the stakeholders. Simple enough to implement but yet comprehensive enough to address all the issues that performance funding is designed to address. So, before we start our debate and our discussion we all have the same goal in mind and we all might not be on the same page in the end on how we actually implement it for year one but we have to implement it in year one and so I look forward to what I foresee as being a very interesting and helpful discussion with all of us having the same goal in mind to do the right thing for the citizens of the State of Illinois and for the students who should be far most in our thoughts here. So, George.”

Dr. Reid said, “Those comments were very weighty. I mean thank you so much for just giving us the Board’s point of view that we must go forward. It is difficult but that we must go forward and we will go forward with it as you said, support of the Board and her support as well. So, thank you so much.”

Retrospective of the Committee’s Work – G.W. Reid

Dr. Reid said, “There was a book written in the 1960’s by Claude Lakay. It was entitled *Man, Child in a Promise Land* and what Claude talked about was growing up in a major city in the ghetto in the toughest part of town and rising up to become a great American. When I read that book again over the weekend I thought about David Anderson. And, so I am not going to say a lot about my retrospective and I am going to get back to it just briefly but I want David Anderson to tell us about a new opportunity he has, which I think is tremendous.”

Mr. David Anderson said, “Thanks, Dr. Reid and to everyone on the Board. Dr. Reid is referring to two years ago I had applied to work at the White House in the Executive Office of the President. I got my acceptance on December 12 of this past month. I am so grateful. I mean, of course, I have a lot of people to thank. This university, IBHE, mentors in my life but just before we start I would like to say to

everyone here that I love America. Five years ago in 2006 I had to stop school because of my mom who has suffered from schizophrenia her entire life, came down with leukemia and I had to raise my brother and sister who were 12 at the time and I remember thinking five years ago that I did not know if I was going back to school or not, I did not know what was going to happen, I just knew that I had to, you know, make sure my brother and sister did not fall victim to what can happen in the streets. And so, I look at the opportunities I have been afforded now and I am just grateful that our Country has set up policies and people have fought and people here, your parents have fought for people that may not have connections. I am the first graduate of my family, I will be in May the first graduate of my family, I did not have any specific mentors and family members to help steer me but this Country allowed the least of these, the poor, the minority, those who probably would not have that opportunity to have an opportunity and before we start, I just want to remind everyone here that makes a decision of the young men or the young women in a rural community, an urban community, whoever it may be that deserves the opportunity because without that opportunity we do not know what is possible and so I just want to thank everyone here. Thank you to Chicago State. Thank you to the IBHE for this exposure which has literally changed my life and I thank God and I look forward to whatever is next in this next chapter of my life. So, thank you.”

Dr. Reid said, “I do not know of anybody that could have said that any better. You are not going to make me cry. Let me move on with this agenda. Congratulations to you, David, from the bottom of my heart. And you do have one mentor now.”

Mr. Anderson said, “Both of my siblings, my sister is at Eastern Illinois University and my brother is joining the Air Force, he is an Atlanta. So, they both are off to college and everything.”

Proposed Metrics and Formula -- Performance Funding Budget Recommendations

Dr. Reid said, “Let me make this as brief as possible. You know we have had six meetings. We started in July. We met every month except December, trying to determine how to deal with the fiscal 13 budget. My encouragement to you is that it is paying off. You heard the Governor say in his message that almost every one of the state agencies will be cut deeply, up to nine percent some of them with the exception of education to include higher education. I must say that some of your work the involvement of Julie Smith, the involvement of Lt. Governor and the involvement of the state legislators who are here today and all of you helped make that a possibility that performance funding must happen that we must have a greater accountability for how to use the State’s money but that if the State of Illinois is going to come out of this recession, I think there is a common belief now in Illinois that will be lead by higher ed. So it is a credit to all of you and all of the work that you have done. To faculty members who are here, to business and labor people who are here, to our friends from the not-for-profit world who have guided us. All of you have put your shoulders together to create the situation that we have today. We are almost finished. We have heard good position papers, I mean I think that we have received position papers from almost of you, if not position papers and some

reaction to position papers all written, all distributed to you. You have read them. You have digested them. We agreed upon the principles upon which you have justified performance funding. Today we will look at the weights and the measures and be guided by the presentation that we will get from the staff. So, I want you to know how much the staff appreciates your work because without you involved we really do not know if we are on the right road but you tell us and then we will abide. I also want to thank my staff, Bob Blankenberger, Arthur Sutton, Al Phillips, Candace Mueller, Cindy Kolley, all of those staff members who are back on the back row, wave your hands so we can see you, wave your hands so we can see all of those people have helped. You see Al, Arthur and Bob at the table and Candace and all those out front but every one of those staff members have been involved in the development of what you are going to see today. And, each one of the deputies today, each deputy today, will come forward to have a part of this presentation. Not just one deputy but each deputy. But they will be led in that by Al Phillips. So a little bit of context as I move to item number five. The higher education finance study commission announced to us something we already knew that the colleges and universities were starving for dollars. The financial aid system has been eroded to the extent that it would be difficult to bring it back to the way it once was. That the unfunded mandates that we have heard some many college presidents tell us are burdensome on their efficiencies. We are seeing a situation today where the cost of college is now being borne by our students in disproportionate share, something that none of us around this table wants. We also know that in terms of the context that we are dealing with today, it is a rough context but out of which we need to come up with some discussion today that state funding for higher education has been in a decline for 15 years or longer, that there is a debt crisis in the State. These are no announcements, nothing new, you know this. The costs in the State of Illinois are exceeding the rate of revenue growth. That the cash flow in State government and all around the State is problematic. There is very little going on within the colleges and universities that will help them with their capital projects. Not just new buildings but renovations and remodeling. We all know that this is a special burden because on each of the college campuses we have talked to all of the presidents. Each one of them said that if we do not get some money to reconstruct, to remodel, to reshape this building it is going to fall in on us in a few years. So we are at a state in time where we are looking at some very tough decisions, critical and crucial to all of that is how do we hold ourselves accountable for the little bit of money that we get from the State to carry on higher education. One thing is for certain, Bob and Carrie and Julie and Ed stated it more profoundly than I could ever. Is that it is law performance funding will go into effect on July 1 to control funding for fiscal 13 in some dimension. It is our job to say how we want it to happen. Not whether or not we want it to happen because it is the law but how we want it to happen. So, Dr. Phillips come forward and bring your colleagues forward to walk us through the metrics and the weights that you worked so hard. When I called Al Phillips last night late he was up, called again early this morning, he was still up, so Al come and speak.”

Mr. Geoff Obrzut said, “I just want to thank my staff as well for the hard work they have been put into this, obviously as well, so thank Ellen, Eileen and Karen for the job that they did. Also would like to thank Tom Pulver, he could not be here today, one

of our board members that is on this committee and just want to thank the hard work that was put together by our committee, our task force that we put together and came up with the unanimous decision which is not easy when you have got a group of all 30 or 35 so I just want to thank Ellen as co-chair and Dr. Jerry Corcoran from Illinois Valley and Terry Bruce from Illinois Eastern. The three of them co-chaired the committee and did an excellent job of getting the group to come to a consensus so I want to thank all of those people for helping out.”

Dr. Reid said, “And I want to thank you Geoff and your staff for cooperation we have received, complete cooperation from the community colleges on this and that is something great to say.”

Dr. Alan Phillips said, “Thank you. I feel today in some ways like my son who just finished his term-ending exams. I hope I studied for the right questions and I certainly hope I do a little better than he did on his tests. To follow along with some of the other comments I want to thank everyone for all the work and effort and help that they have put into this effort. I think we have accomplished a great deal in a relatively short period of time but that has taken effort by a lot of people. Everyone sitting here at the table and most of the people sitting here behind as well. Since we met the last time and since the board meeting we also have continued to meet with presidents of universities with staff with faculty with board members and other interested individuals and to continue to work to try to resolve some of the issues and challenges and I appreciate the time they spent with us many times their valuable time and the good insights that they provided us as well. This has very much been a collaborative effort and once again we could not have done this without all the expertise, the help, the guidance, and the wisdom that was provided to us as well. So to get it started I will ask that Dr. Arthur Sutton discuss what we are going to talk about today.”

Dr. Arthur Sutton said, “Good morning. The purpose of the presentation that we are going to discuss today is the performance funding model that will be incorporated into FY2013’s budget recommendation that meet the intent of the Public Act 97320 HB1503, the performance funding legislation. And that support the goals of the *Illinois Public Agenda*. Topics to be covered today, the status of higher education in the State of Illinois, current situation, what is going on, how are we doing, what we are doing to improve the situation the general performance funding model, what we have accomplished the recommended four year model the recommended two year model performance funding results. We will also discuss budgetary considerations and the preliminary recommendations. The status of higher education in the State of Illinois and tying everything back to the *Illinois Public Agenda* which we have described for the year for a period of time, two states of Illinois, one Illinois being one well educated and prosperous; the other vastly underserved educational and struggling economically with severe constricted opportunities and we want to see those things improve. Between these two states of Illinois is a prosperity gap that relates directly to asperities in education attainment by race, ethnicity, income and by region. Again, we want to see these things be improved. The bottom line is that Illinois needs effective and quality education for all

people. Our vision is the pathway to one Illinois where all Illinois residents have affordable access to higher education opportunities that prepare them for the jobs not only for right now but for the future as well. And, again, the *Public Agenda* is our goal as to accomplish this. Again, we want to see increased educational attainment and show college affordability for all students' families and taxpayers in Illinois. Increase the number of high quality post-secondary education credentials and to better integrate Illinois education research and innovative assets to meet the needs of our State. So in that and just a brief overview, Dr. Phillips will come and go further in the presentation."

Dr. Phillips said, "So given that, we have a number of challenges and George touched on these challenges. One of the things I want to do is put things in context. We have talked a lot about the dire straits we have in Illinois and the challenges that we face. For the last 15 years it is declining we have had a debt crisis. Pension costs are a challenge. We have a cash flow problem which we are all very aware of. There has been little funding for capital projects and of course financial aid continues to be a problem. But given all that, the question is how well are we really doing. So I did a little research that is what folks in higher ed do, they do research, so I did a little research and when you take the numbers on the far right and you look at them out of context or you at them by themselves they do not necessarily look so good. And recently, the University of Pennsylvania came out with a study saying that education over the last few years in the State of Illinois had been declining. So, I thought I would try to find out if that in fact was the case. What I found out was in a lot of areas we are below average. But not by very much and this is a representative sample this is not all the measures. But what it shows is if you look at where we are on a number of factors by themselves obviously they do not look very good but when you put them in the context of how well everyone else is doing we are in the ballpark. We are not doing so bad. So if you go to the next chart what you find is that there are a lot of areas that we are doing okay. Now that is not to say that we do not have a lot of room for improvement and nobody here in this room today would agree that we are where we need to be. But I want to put this in context and most of this data comes from 07-09. Once again before we actually started to implement the *Public Agenda*. And this ties in with our Chairwoman's comments at the Board last time. We have a lot to be proud of here in the State of Illinois in terms of higher education. We have a lot of work to do but for today we are doing okay. Now having said that, just to give you a better example of how we are doing, this chart essentially shows that relative to the amount of funding available for higher education we award a larger portion of graduate degrees and certificates than most of the other states. So what this says is that for the money we have available to spend on higher education we do better than most of the other states. We do a pretty good job given our resources. Now this was also from 06-07 and it is a little dated, but that is also part of the implementation of the *Public Agenda* and all of the initiatives that we have undertaken to try to improve higher education. Some of which are to develop a common core k-12 college curriculum the implementation only articulation agreement where we align curriculum from high schools through four year colleges a lot of work is being done on the establishment of a P20 longitudinal data system which will certainly help this effort and one of those initiatives is performance funding. So, performance funding is one of the things we are

doing to improve higher education and I also want to mention all the great things that are going on at the colleges and universities. Many of which we get to hear at our board meetings at our showcase. We have college presidents and their staff and faculty come and talk about the great things they are doing. So, there are a lot of good things going on in higher education, State of Illinois and we are doing a lot of things to try to make it better of which performance funding is one of them. Now we are going to talk about performance funding. Now a lot of these things once again I am trying as we go through this a lot of these charts you will have seen before we have kind of streamlined the presentation. We are getting kind of down to the nitty-gritty, down to our recommendations. What you will not see are the things we cannot do this go-around. So what we are to propose is our recommendation for how we should proceed with performance funding. So the objectives you have seen these before. Our charter which was the legislation and specifically we were told to reward performance and advancing the success of students academically financially at risk first generation low income underrepresented which is low income, Hispanic African-Americans and rural. Once again these are charts you have also seen before. And what we have accomplished so far this is the only thing different about this chart is we added the last bullet. So, we have finalized the performance funding model which is what we are going to recommend today for both the four-year and the two-year colleges and universities. And, we will start with the four-year public university funding model. Once again, these are the seven steps that we have developed for the model. And, I will go through them in more detail and talk more specifics about what our final decisions are and with some help from my counterparts at the table. So first, the performance measures. One of the comments that we received frequently was that is there any way that we can simplify the model. Sometimes it is a little complicated and it would be helpful if you simplify it. So, at the last meeting we talked about a couple of the measures we had some concerns with, so we went ahead and deleted from those from the measures. So we reduced the number of measures from eight to six. Now the challenge with making it simple is if we make it too simple it does not work. So, we are trying to find balance between having enough complexity that it works like we want it to but not making it so complex that no one can understand how we did this. With that I will let Bob talk briefly about the measures that we deleted and why we did that.”

Dr. Bob Blankenberger said, “You have seen the measures before some of them are self-explanatory. The bachelor’s, master’s, doctoral degrees. We chose to go with the undergraduate degrees per 100 FTE as we discussed at the last meeting over the cohort graduation rate. The cohort grad rate is not something that most, well in fact I think we have universally accepted that that is not a good indicator for the modern student, but the undergraduate degrees per FTE is going to be adopted by IPEDS. It is a data element that is going to be collected started in I believe two years, so it is something that everyone will have and will be recognized as a standard measure. We chose to go with the education general spending per completion as the closest thing we could get to it an efficiency measure but we would like to see that improved. We did want to keep it in there though for now as at least a placeholder for an efficiency measure. Research and public service expenditures we talked about leaving in at the last meeting. Again, not as

the best measure but as a temporary placeholder because we do want to recognize the relative value of the other delivery elements that universities provide. We dropped the graduate degrees per 100 FTE because the IPEDS data collection includes all graduate degrees in one pot so students will be in a master's degree, doctoral degree, first professional degree and they are not differentiated. This is, however, an opportunity for us as we talk about the construction of the longitudinal data system. We are recognizing data elements that we would like to see incorporated in the performance funding measure. And one of the things that we are going to do is to separate those out so that institutions will report their graduate degree students separately so that we can have a better accounting of those. But for the time being it is simply something that would not work. And lastly the cost per FTE. That is a ramped data source that comes to the IBHE from the universities and it is something that we found simply inappropriate as an efficiency measure at this point. We are trying to find better data measures that would improve that collection and represent efficiency a little bit better. There are a number of discrepancies that institutions have. What we found out is that they are reporting different line items than some of their peers so we just did not think there was a consistent enough measure. It was also based essentially on last year's, the appropriation from the last year as opposed to anything that had to do with efficiency metric. So we chose to drop that. On the subcategories there was some debate last time about the weight that would be applied to the individual's measures. We chose to adopt this method. There is some discussion about whether or not we should include all of the subcategories that were in the legislation into a single measure represented by low income. However, we have chosen to disaggregate that for several reasons. One because this is at the low income measure that we have available to us based on PELL and MAP eligibility which is based on a federal formula that can fluctuate. It also has student information that is collected that has a severe difference between those who are dependent students and those who are independent students. As a result there is very little consistency in whether or not these students are in fact low income. So it is the best measure we have but we did not want to base it as the only measure for low income. We also have an advantage here, we chose the 40 percent because in many states they simply make this a double count or even a triple count but if we disaggregate this this enables us to capture the different delivery for a variety of students at a variety of institutions so for example if you have a student who is low income and Hispanic they would almost count two to one. They would be at a .8. And if that student also happened to be in a STEM field then you could give the institution an additional reward for that so that the student would be essentially a 1.2 or a little over a double count. If you have a student that is low income, adult, Hispanic and STEM field then we are almost talking about a two-to-one. Now that is a rarity as you can probably guess but that would enable us to reward institutions for meeting all of the identified elements in the legislation.”

Mr. Tim Harrington said, “A quick question in the subcategories I do not see first generation.”

Dr. Blankenberger said, “That is a great point and again this is one of things that we hope to hone with our data collection through the longitudinal data system. We do

not get that information at present. There are no existing data sources that collect that. There are some institutions who try to collect that information but there is no consistency across institutions. But you are absolutely right that is something that needs to be incorporated. There are several of these data elements that need to either be improved or collected for the first time across institutions. So one of the things that we are going to take for whatever, and we have talked with you in the past that this would be an iterative process, that we would revisit this annually to try to get improvements and hone the formula and the performance funding metrics and what we are going to do is bring together a group in the spring and the summer, representatives from the institutions and from this committee and have them discuss what would essentially be better metric and new means of collecting metrics. I will coordinate that, or AI, with the longitudinal data system and with the Illinois higher ed consortium so that we are all collecting the same information and that we decide on the some definitions that make sense.”

Mr. Harrington said, “Just a quick follow up to that is if we are going to be doing that and we need those measures that are in the law why are we going to use ‘07-‘09 data as a baseline because it does not address some of the issues that are brought up in the law.”

Dr. Blankenberger said, “And this is one of the shortages, this is one of the shortcomings rather of this entire process. We are basing this information for performance funding on existing data sets and the existing data sets, the most recent one we have is the ‘09 but in order to make sure that we do not have oddities and spikes, unusual occurrences captured in a single year’s data set we have to have a rolling average of minimally three years so that we iron out those spikes that naturally occur. And unfortunately that takes us all the way back to ‘07-‘09. But that is one of the problems and it is a limitation that we have recognized throughout the process but that is it, that is the only data that we have.”

Dr. Watson said, “The reason why Chicago State has a challenge with this one metric not being included right now is because we probably have the highest percentage of first generation students of any university in the State. So that which we do best is not going to be counted, as of right now. Maybe in the future. And that is just so, as we look at it, we are saying, wow our core mission, you know the one thing that we really do, is not on the table to be counted. Now if you look at FAFSA, the FAFSA form has question #24 & 25, it is not perfect but it gets to the question of first generation because it asks the question of highest school your father completed, highest school your mother completed. Now what is missing is the grandparents, but usually if the father went to college, we have to redefine these concepts ourselves but part of the data that we are seeing that we have to collect is already collected by FAFSA, by a federal instrument that we all use. It is not perfect because it does not ask about the grandparents, it only asks about the parents, so that is just a concern.”

Dr. Blankenberger said, “Right and that is an opportunity it is a matter of whether or not we have a definition that we have all arrived upon and agree upon and that every

institution can provide the same information because at present we do not have a consistent measure from all institutions to capture that. Not only that but not all students of course fill out the FAFSA so many students would not be captured by that.”

Chairwoman Hightman said, “Is that true about some of these other categories that students might not necessarily fill those out either?”

Dr. Blankenberger said, “That and ultimately most of these are self-report measures.”

Chairwoman Hightman said, “Yes, so I guess it is not different. I guess what I am asking is do other institutions have the same information that Chicago State has?”

Dr. Blankenberger said, “Every institution that processes financial aid which would include all the publics, community colleges, and universities would have student information on the FAFSA. Now whether it is integrated with the regular data sets that could be provided outside, because these are student record level data, they are income based and they are not generally shared. They could be aggregated potentially by institutions and some do so in a more efficient way than others but they are not necessarily all consistently applying the same definition and we do not know, well that is why we want to wait on it. We need to make sure that we are getting the same information from all institutions. But there are the opportunities there to collect that information.”

Chairwoman Hightman said, “Yeah, I guess I am not sure if I understand everything that you just said. Let me just ask it simply. I mean, I would assume that there are some definitional issues with all these, right. So why is this one category being treated differently than the categories that are shown on the slide and what is the problem with actually adding it, well define it, just add it.”

Dr. Blankenberger said, “IPEDS information and ramp information is aggregated information from the institutions that is something that we have all accepted that every university provides to the board of higher ed and to the federal government whereas the FAFSA is information provided by institutions for determination of financial aid eligibility, that does not get processed in the same way and in an aggregate that is collected in a large group so we would not have, it is not the same type of data.”

Chairwoman Hightman said, “So can I just summarize what you said by saying that the IBHE staff is opposed to using this category because there is not IPED data to support it and you really think you are better off starting out using categories that are supported by IPED data, is that what you are saying?”

Dr. Blankenberger said, “We do not have the information on the FAFSA at that level. We have the IPEDS in the ramp. We do not have, as a state agency, we do not

have that information and at present if we tried to collect it from the institutions we would not be able to get it.”

Chairwoman Hightman said, “So, yes, is my answer, yes?”

Dr. Reid said, “I think that there would be some opportunity to use that data.”

Chairwoman Hightman said, “In the future, I mean we are just starting I am okay that we cannot be perfect the first time out.”

Ms. Ann Ladky said, “I think we all knew when we got started on this that we did not have all the data we needed to build the system we ultimately want. And part of the reason we do not have the data is because there is no incentive to get it.”

Ms. Ladky said, “If we go ahead with this, with performance funding, we are going to have additional incentive to get the data done for the areas that are most important to us from a policy point of view. And first generation students is extremely important so my presumption here is that we can go ahead if we want to with this kind of recommendation. At the same time we can say we want first generation measure to be first on the list of what we then perfect and collect. So what I think we just heard is that we are going to have a process starting in the spring and the summer to work on this data and in the course of this conversation it seems to me we can give guidance to the priorities of that group and so I think what we are trying to get to today is both what can we do now and what do we want to work on next and I think this is an excellent example but I think we can forward with that. I could.”

Chairwoman Hightman said, “But do we create the definition or will, I forgot the acronym, the financial, FAFSA, do we create the definition or do we use somebody else’s definition. I do not need to see it, what I am asking is, do we ask the colleges and universities to give us that information. Is that how you do it?”

Dr. Blankenberger said, “We can. We fortunately sit at a confluence of events that allows us to start collecting data that we were not ever able to collect at a student record level before and that is the longitudinal data system creation so once we decide that these are data elements we want we will go to the field, find out what definitions are employed by the institutions and then apply that definition as the consistent data collection standard through the longitudinal data system.”

Chairwoman Hightman said, “We use that, good, that is even better.”

Dr. Frances Carroll said, “Could I ask the college representatives if they are able to get the FAFSA for all of their students who apply for financial aid because I know how difficult it is for Chicago public schools to get the students to fill it out.”

Dr. Watson said, “You cannot get financial aid on a university campus by federal law unless you fill out the FAFSA. So, everybody must fill it out. I totally understand and agree, we are not saying we do not, we are just saying please be aware that the first generation is something that should be a priority. And, the reason why it is such a priority to CSU, that is a core mission. The second piece that is on FAFSA it does identify the lowest economic quartile. It does not identify by lowest economic quartile but in order to get financial aid you have to state your family income and from that you can determine the lowest economic quartile. Why is that important? Because right we are saying the PELL grant. We are going to give a weighted factor to everybody who is PELL grant. PELL grant is something that is defined by the Congress every term you might say. And, it is just projected, it is strongly rumored that in 2013 that Congress is going to vote to raise the PELL grant meaning that more individuals will be eligible for PELL grant who are middle class, upper middle class than before. And along with that, they are talking about saying we will only give PELL grant to those individuals who have higher ACT scores or SAT scores. So, that is going to be manipulated or redefined by Congress if you go with the lowest economic quartile as a metric no one can manipulate that, that is just hardcore fact. You are either in the lowest third of the economic quartile or you are not. PELL, identifying PELL it is a congressional definition that becomes political.”

Dr. Reid said, “So here is what we are doing. I would suggest that as we refine this over the summer and the fall that we would expect a position paper from you on this and we will take a look at it and have it to be a priority and add it as quickly as we can.”

Dr. Watson said, “I appreciate that and once again, we are concerned because CSU services the lowest economic.”

Ms. Ladky said, “We stipulated to that months and months ago.”

Chairwoman Hightman said, “Ok so we can move on.”

Mr. Jeff Mays said, “This is a related question; we dropped one of the measures from the previous slide not because we did not get the data, but the data we were getting was crappy. And we could not draw consistent conclusion from the cost per FTE and so we eliminated that as one of the performance measures. I would suggest that as we try to get everything to look at new data to collect that we should also look at how we can clean up the data we are already getting because I think that would be a pretty important metric for a lot of parents and kids that are figuring out where they want to go. I mean, I can understand why we dropped it, I do not want to have crappy data to make decisions on but I would hope that there would be an effort by this group and by the Board of Higher Education and the community college board to clean that up.”

Dr. Blankenberger said, “Yah the efficiency measure component we have decided to keep the education to general spending per completion both, for two reasons. One the data was better but two then we were talking about completions which of course if the emphasis of the performance funding as opposed to simply FTE. If we talk about the cost

per FTE then we are talking about simply how much money is split up based on the numbers of students total at your institution, which is not really a particularly valuable measure. But the cost per completion is a much better measure but we can still make improvements.”

Mr. Jay Bergman said, “I was just going to say that I understand why you said the cost per FTE was inappropriate because it would not be collected on an apples and apples basis. However, what we are talking about here is economic efficiency. And while all of these other items that we are discussing are very important you know the States broke. That was the first part of meeting today and we need to be able to encourage the universities to be as efficient as they can. So I would echo what this other gentleman said, I think we need to find a better means of collecting accurate information and make that one of our performance measures in the future.”

Dr. Blankenberger said, “And for fear of getting in the nuisances we started to with the FAFSA essentially institutions were put under one of three categories, research, public service or education. So what happens is if you are rewarded for one of the three then you shift the reporting from your pots into one of those three for which you receive a reward. So we want to make sure that rather than go with the bad data element, as you said efficiency measure is a very important, it is something we should emphasize but we want to make sure we are getting the right information.”

Dr. Abbas Aminmansour said, “There are metrics that we feel are important but we are not prepared to implement them. Are we going to include these in our report as metrics that will be included but with a delay in implementation or are we just going to set them aside. There are advantages and disadvantages for one or each of those approaches.”

Dr. Reid said, “The general tenor of the comments today is that we would include that first generation one and that we would make some note about that in our report to the board.”

Dr. Blankenberger said, “And in the prior iteration of this report there was a list of data elements that we definitely wanted to see that we simply were not able to address as yet. So we can definitely bring those back again.”

Mr. Harrington said, “I do not see any kind of professional certification on here. I mean I see, bachelor’s degree, master’s degree, doctoral degree but obviously there is that piece is no longer here.”

Dr. Blankenberger said, “Right now it is captured in the master’s although we do have a few institutions that report it differently. The numbers are small enough, the data is still clean enough that we can use that as an appropriate measure but there is some inconsistency on how they are reported, right now though we are keeping them in the master’s.”

Mr. Harrington said, “And we are not just using the IPEDS, first time, full-time freshman definition.”

Dr. Blankenberger said, “Correct, this is capturing every student. In fact that is why we went away from the cohort.”

Mr. Harrington said, “So, we are capturing the transfer students also.”

Dr. Blankenberger said, “This is another thing that we want to do a better job of, rewarding institutions. I am getting ahead of myself a little bit, but in the community college measures where they are able to capture momentum points and transfer, we cannot do that at present but we need to do it. And for some institutions it is more valuable than others. So for example, for Chicago State, we know that a number of students who take say 30 hours here and then they will transfer on, they will take them close to home and then they will move elsewhere. You need to be able to capture the credit; you should get the credit for those students. Right now we just do not have that information, but it is something that we know we need to start collecting.”

Dr. Watson said, “And once again for Chicago State, we have first time, first generation. We have the lowest economic quartile but we also have a significant number of transfer students so the gentleman that spoke, David Anderson, he is one of our graduates. He was here for about three years. David is not counted as someone we would get credit for.”

Dr. Blankenberger said, “Right, under the cohort grad rate and that is the weakness. That is why we decided to get away from it.”

Dr. Reid said, “Under the graduation rate you would be counted.”

Dr. Watson said, “No.”

Dr. Blankenberger said, “Not under the current cohort grad rate formula. Under the undergraduate degrees per 100 FTE it will be counted.”

Dr. Reid said, “Absolutely, we will not lose it. We will not lose it. We will get it. Maybe not double, triple the time but we will get it at least once.”

Dr. Blankenberger said, “That is why the feds have gone with adding the number as well.”

Dr. Aminmansour said, “The faculty advisory council had a meeting with the staff and we are very grateful that they joined us at our December meeting we had a very extensive discussion on this and of course we are very supportive of implementation of performance based funding and these measures seem very reasonable. One concern is

about quality, maintaining quality of our education and there is possibility that some of these measures may lead to some institutions doing things that may increase their numbers at a cost of potentially compromised quality so we came up with one specific recommendation that I have shared with you and staff and that is to include as a measure the ratio of tenure system faculty to nontenure system faculty. We believe that that is one way to ensure quality. We have had one experience with that ourselves at U of I and that was called global campus. The emphasis was not on faculty involvement it was more on a business approach. This is very public information and it came down on its face. And so we feel it is very important that we put in place a measure such as what we have recommended to make sure that we maintain quality in the education that we provide so I just want to reiterate that. We were told in response that the data does not exist but perhaps we can treat that like the other measure that we were just speaking about but this will be a metric with the understanding that it will be implemented as soon as the creditable data is available.”

Dr. Reid said, “Yes, right.”

Dr. Blankenberger said, “Yeah, there are a series of academic quality performance indicators that we would like to try to incorporate. They do capture in their entirety the academic rigor of an institution’s degree delivery but at least they can be representative. There are weaknesses to many of those elements though which is why they have not been adopted universally. But we have some opportunities to discuss. In fact the recommendations from Southern their group, Allan Karnes and Rita Cheng put together from last meeting had several recommended academic quality indicators that we might be able to adopt as well as some research indicators. So they are on the table. They are ones that we will start with when we begin the discussions of how to hone these.”

Dr. Reid said, “I just want to make sure that we zero back in on the recommendation for today understanding that we have received lots of papers and ideas from around this table and otherwise but this is a recommendation for today because we feel like it is the strongest one that we can make.”

Dr. Blankenberger said, “The next slide is the scaling factors. This again was another problematic.”

Dr. Reid said, “Are you finished with the subcategories. Could you explain that just a little bit as to how it would work?”

Dr. Blankenberger said, “The subcategories? Well, actually there is a subsequent slide where you will actually see the amounts as they are weighted so if we can put that off for just a bit. The scaling factor is again a very important feature of the model and is something that we had discussed at some length at the last meeting and we got a lot of feedback that suggested that it was too complicated. There are statistical problems with developing a scaling factor for 12 institutions especially when we have got very small subsets of institutions and you do not have comparison groups to do things like a z-score

or use standard deviations and things like that. So, many states have adopted a more direct sort of scaling factor that is based on simple straightforward numbers that make sense and are not necessarily related to specific statistical measures. What we tried to do is follow kind of a combination of that so the scaling factor starting set would be the one that we used last time which is the bachelor degree and then we were just going to choose the one as the standard measure because bachelor's degrees, that is what we are trying to count and their worth one. Master's degrees, rather than weight them more, we decided to choose another one as a scaling factor because the master's degree is only a two year program. So it made little sense to give somebody even more weight while recognizing that this is a degree that is of significant value. We did not want to add more weight to it because the bachelors is a four year and that is certainly the emphasis and the doctoral degree we stuck to two both because of the expense of producing doctoral graduates and because it really is a very lengthy program of study so we are talking five to seven years for doctoral degrees. So, undergraduate degrees per 100 FTE. The scaling factor that we employed before had lead to 173.64 rather than make that as complicated as it seemed what we tried to do is make that a scaling factor of 200 and see how that turned out. It worked very well that way it gave us a much more understandable measure and so we went forward with that one. The educational and general spending per completion the scaling factor last time was -.96 as you notice it is an inverse measure so we just rounded that to -1.0 and then the research and public service expenditure we rounded that one as well. Once again it is very difficult to put something like the dollars involved in research in any kind of comparison with the awarding of a single bachelors degree so we had to come up with some measure that brought.”

Dr. Reid said, “Just once again, just reemphasize why it is important to scale.”

Dr. Blankenberger said, “We need to scale because in order to make these varying numbers make sense and not produce kind of very wide range of numbers that would make a model even appear more complicated than it should what we want it to do is bring them all to within a range of numbers that they could be compared to one another. So essentially what we were doing again not to get wrapped in the nuance the better measure for this would be to create a standardized statistically measure like a z-score that measured the distance from the norm or the middle point for a particular measure and just say that an institution was performing either well above or well below based on a range that went from 3 to -3. That is a very complicated thing to discuss and it is dependent on your achieving a standard deviation that makes sense when you are doing a statistical measure. We could not do that really. Either the end was too small for the number of institutions or alternatively the standard deviation if we tried bring in more institutions to broaden that and would require that we get peers. Then we would have to get into a discussion of who should be a peer within an institution, whether they be in state or out of state, etc. Most states went with a very simple scaling factor and that is what we have chosen to do. We tried to make it make sense statistically, rounding as best we could to an appropriate measure and then allow these things to be aggregated to not have something such as research and public service expenditure that looked huge in comparison to the production of bachelors degree.”

Dr. Reid said, "Good thanks."

Mr. Christophe Pierre said, "Is the metric scaling that the end each of the six measures basically is weighted the same before the weighting is applied?"

Dr. Blankenberger said, "That is correct. At least as consistent as we can. Now we wanted to make sure for example the undergraduate degrees per 100 FTE that is our efficiency measure. We wanted to make sure that anything that looks like a percentage, again that is basically what this is, if you have got a 1,000 students you would expect just at least a quarter of your students to be graduating every year if you were doing the best you could possibly do because then you are talking about 250 per class, which of course is not really going to be happening but you would be able to say that this is a percent of completers or the equivalent of a percent of completers and so if you multiply that by 200 it gives you a number that is somewhat consistent with the bachelorette production of a masters production."

Dr. Reid said, "That is correct."

Dr. Blankenberger said, "It is a way of flattening out the data without doing a log rhythm or something else that is a lot more complicated."

Dr. Reid said, "Good. So far so good, Bob. Lt. Governor Simon, are you there?"

Lt. Governor Sheila Simon said, "Well I am listening in and enjoying the work that you are doing and I have been trying to keep posted on what you are up to through Maria Capoccia and Sheila Chalmers on my staff and just wanted to say again how appreciative I am of all the work that you guys are up to and as I travel around the state I think this an idea that people really respond to so you are on the right track and I think although there is a lot of tough work going on now I think in the long run this has a real potential to pay off in terms of increased public support for higher education so keep up the good work gang."

Dr. Reid said, "So, thank you so much Lt. Governor we just appreciate you being involved you have been involved from the beginning you have walked with us through the problems we have had and our resolutions of the tough issues and all the way down through today. We know your schedule is hectic and for you to take time to be in on this meeting is really great. Thank you so much. We look forward to your support and guidance moving forward."

Lt. Governor Simon said, "I will be involved as I can and remain appreciative of what you guys are up to. Alright."

Dr. Reid said, "Okay. Bob."

Dr. Blankenberger said, “So we had the categories based on the Carnegie classification with obviously the largest grouping there under the masters colleges and universities large. We tried to be consistent across the various measures weighing them for the type of the institution we discussed these with institutions where we had the opportunity and as you will see we had to make some differentiation based on some problems or the uniqueness of the institution. So for example an obvious one Eastern we had to zero out the doctoral and professional degrees we would not weigh that at all we would not include that in there because they do not have doctoral degrees. So that had to be zeroed out. Northeastern the same way. Governors State because they have the doctoral degree issue we had to zero that out but the undergraduate degrees per 100 FTE does not make any sense for them because they have no freshmen or sophomores at this point. At the last board meeting that was approved but they do not have any yet so you had to zero that one out because it simply does not make any sense. UIS recently added the freshmen and sophomores of years ago but it is still disproportionate in their student body so it made little sense to have that as a measure for them so we zeroed that one out and had to emphasize the bachelors and masters degree production more for both. You will notice the emphasis on research and public expenditures varies significantly based on the type of institution as well. Any questions about those? Okay. I should let Al speak again this is after all his presentation. Thanks.”

Dr. Phillips said, “So next we come to the next step which is how we come up with the performance value for each of the colleges and universities. Essentially you take the data, you determine the premium based on the subcategories, add that in. You then scale each of the measures. You then multiple that number times the weight for each of the measure for each institution that gives you a performance value at each institution for each measure and then you add those up with the goal being higher score is better. You want maximum performance because basically that is what this does. So the better your performance the higher the value and the better you do. Step 7 which is the final step is you take the weighted results and you determine the performance allocation for each university. In this case whatever the funds are either the additional funds are provided for performance or in the event that that is not possible and funds are set aside from existing funds per performance whatever that amount is you basically add up the total amount of all of the performance values for all of the universities and then you determine if they are prorata share of what we consider to be the pot. All of this is just an example what I will tell you is that based on the model and based on how everyone did once we computed all the values if you look at this in terms of total state funding for each institution the worst institution basically lost .18. So it is roughly a little less than two-tenths of a percent of their funding. That was for the lowest performing institution. The best performing institution the increase was .11 or a little more than a tenth of a percent. So what we were able to do now this is assuming a set aside of half a percent of total funding if that is the case so in any case and it is based on the proportion of funding that each institution would be get from the state to start with. So based on the set aside the impact, even the negative impact to each of the institutions is relatively small.”

Chairwoman Hightman said, "Will you say those percentages again. The best performer; the worst performer."

Dr. Phillips said, "Sure, the best performer the maximum increased to their general revenue funding would be .11 of a percent. So it is roughly a tenth of a percent increase in their total general revenue funding, state funding for higher ed. Worst case the loss was only .18 of a percent so a little less than two-tenths of a percent."

Chairwoman Hightman said, "Assuming five percent."

Dr. Phillips said, "Assuming."

Chairwoman Hightman said, "Half percent."

Dr. Phillips said, "Half percent which is roughly \$6 million."

Chairwoman Hightman said, "Okay so what do those percentages change to if you assume one percent and then if you assume five percent?"

Dr. Phillips said, "You basically double those percentages. So if it is a one percent set aside then those numbers would double so the amount of funds would increase. You would multiply it."

Chairwoman Hightman said, "Okay, nobody wants to lose money. Everyone wants to get more money. At what point do you think that the change, the absolute amount not the percentage, at what point is it so significant that the reduction we would think we should not go that far because the potential reduction is just too much for any institution to bear for the year one for training to get this implemented."

Dr. Phillips said, "For me that is hard to say. We wanted to start off small because once again we are using data from the past and they really have not had a chance to impact their performance based on these measures because we are just now implementing this so we wanted to provide enough of an incentive for them to take a look at how they do things identify the areas where there were room for improvement but not for this to be viewed as punitive."

Chairwoman Hightman said, "I understand all of that. So, what do you think in your judgment is the point at which its more than just small and you would really think that it is a bad idea to go that far."

Dr. Phillips said, "I think if you get up in terms of one-two percent they would think that that would be viewed as punitive."

Chairwoman Hightman said, "And what you are talking about is if the .18 of one percent became like two percent then you would think that is too big."

Dr. Phillips said, "That is too big."

Chairwoman Hightman said, "Right, so the significant increase over, I mean you would have to, what would be the amount of the budget that is set aside to get that big. Do the math for me."

Dr. Phillips said, "It would have to be significantly larger because what we are doing is in this case and I will just use one percent. If you set aside one percent and for performance most of the colleges are going to get most of all of that back and some would get a little bit more because their performance had improved."

Chairwoman Hightman said, "Yeah, but you are not answering my question. I am trying to be simple here. Okay. Just so I can understand. I need simple for me to understand. So, right now if we set aside half of a percent of the budget that is going to be allocated to all the schools, you set aside a half percent under the worst case scenario .18 of one percent would be the largest amount that any institution would see decrease."

Dr. Phillips said, "Decrease in their funding."

Chairwoman Hightman said, "And I think you said to me if I understood correctly that you would be worried being an higher education professional here who is trying to do the right thing and is not on one side or the other you are just trying to do the right thing you looked at the numbers and you understand all the tough issues that you would be worried if that went to say one percent."

Dr. Phillips said, "Correct."

Chairwoman Hightman said, "Or two percent."

Dr. Phillips said, "I would say as it went to one percent I would be very concerned."

Chairwoman Hightman said, "Okay so what would be to get that to one percent how much of the budget would have to be set aside for performance funding?"

Dr. Phillips said, "Roughly ten percent because you are talking about a tenth of a percent."

Chairwoman Hightman said, "Okay, I just did not want to do the math and make a mistake. So, if I understand what you are telling me clearly ten percent is too high taking ten percent of the budget for higher ed is too high for this first year of implementing performance funding, right?"

Dr. Phillips said, "Correct."

Chairwoman Hightman said, “Okay, so that would get us to a one percent reduction of the worst case scenario all else being equal.”

Dr. Phillips said, “Correct.”

Chairwoman Hightman said, “If we did a half, if we did five percent then what would happen at worst would be one-half percent reduction to the worst performance institution all else being equal. And that would not”

Dr. Phillips said, “It would be, let us say it would be, if you went a five percent set aside, that would a one percent at a, if you look at, yah, two percent.

Dr. Aminmansour said, “I am not following the math. Right, I agree. And I have the same question. You know if the set aside is half a percent and let us say that the most damage is, let us say .2 rather than .18.

Chairwoman Hightman said, “But they did not say, they said .18 of one percent.

Dr. Aminmansour said, “Right.”

Chairwoman Hightman said, “It is probably a rounding error, right. Okay so if it got to, and that is why I am asking, you said two percent if the worst performer had a two percent hit all else being equal starting at level funding you know but taking”

Dr. Phillips said, “That would be about an eight percent set aside to get in their funding.”

Chairwoman Hightman said, “Okay, I am trying to understand where we as responsible stewards of the state’s dollars are trying to implement something that the legislators said and the governor said you have to implement trying to do it in a way that causes the least havoc here but then also recognizing that this is something that we have to do and it is a good thing because we all know it is a good thing. It might hurt by taking medicine but sometimes you do good things, do things that just do not feel so good right at the moment but they are better for you. So somewhere around less than ten percent even five percent cutting it in half we set aside five percent of the budget than you are still well below the amount that you think, Alan, would be troublesome.”

Dr. Phillips said, “And our concerns are twofold. Most of the states took a number of years even to get to five percent. They started off with one-half percent or a percent and very slowly worked their way up to give the institutions the time to adjust and address their measures.”

Chairwoman Hightman said, “Right but they did not start with the historical performance and the way you are laying it out where they are sort of, we are not looking

for a lot of improvement, it is just not just about, you cannot just look at how much was set aside, you have to look at how these measures work and what the impact would be. So I am not just saying pick a number, five percent, ten percent, one percent, whatever, I am saying, given how you describe how the calculation would impact the universities, I am now playing with the amount and saying okay so how much bigger does the impact get or how much smaller does the impact get or I guess I am not actually the smaller I am asking bigger but you know like as you go to different levels of the amount being put aside. So I do not think it is fair to just say other states did five percent after many years so we should not go there now and I do not know that we should go there now so do not get freaked out because it is all about how this works. It is not just the five percent it is about how this works and what measures you choose and what your goals are. Right, because they might have gone to five percent over multiple years but yet had lower targets and so the hit or the opportunity was not as great because they lowered the target. So it is all about what your target is too, not just about how much is in the pool of dollars.”

Dr. Reid said, “You had a continuation and then David and then Tim.”

Dr. Aminmansour said, “To me it seems like a fundamental issue that we need to clarify. We always talked about the fact that institutions will not be competing with one another and they will be competing against themselves. And, I think if the set aside is additional funds versus current budget that makes a huge difference the dynamics will change significantly potentially and so I just want to put that on the table we need to clarify that so that we stay with the principal that we have started with.”

Chairwoman Hightman said, “I think that a point of what you said maybe and I am hoping that what you said is what I heard, because I agree and that is that we cannot make one formula and have one plan only if we get more money and have a different plan if we have less money because that is not true to the concept. There should be a way to implement performance funding that is intellectual honest and that meets the goals and that does the right thing so we can either phase it in potentially but we should do it in an intellect honest way not that anybody would not but that is how I heard what you said. We should not be playing with this because we are not happy because we do not have a lot of money, okay, we should do it the way we do because we have got to come up with this before we know about the money, right, we do not know whether we like it or not.”

Dr Phillips said, “The other one of the characteristics of the model is if you do get extra money it also allocates.”

Chairwoman Hightman said, “It is an opportunity, it is an opportunity, right.”

Dr. Reid said, “She is talking about the worst case scenario.”

Chairwoman Hightman said, “Well I am saying it should not matter. Right?”

Dr. Reid said, "I also if you could, I do not know if Dennis Jones is still on the line. Are you still on Dennis? Could you give us some perceptiveness from a national point of view trying to grapple with this question."

Mr. Dennis Jones said, "The overall question of the level of funding at this point? George?"

Chairwoman Hightman said, "Well, yeah, but I think my whole point was its not just that question alone that you should look at. Because, maybe you could tell me if I am totally off base here but determining the level, the percentage of the budget that goes to performance funding. The question you look at because if you set your targets very low than it is not going to matter anyway. And if you set your targets higher than you might want to be more careful about how much of the budget you put towards this. So I think it is twofold. Maybe you can tell me if that is right."

Mr. Mike Baumgartner said, "You know I will agree with you that you have to look at both and how all the institutions are affected by the targets. Somebody made the point that institutions are competing against each other under this but there will still be some winning and some losing. I think that nationally everything that I am hearing is right, people start out small and work toward it. Carrie, I think you are asking a question that each state, you raise a point that each state has to deal with in its own context which I know is not that helpful to you as a straight answer but I think that you need to consider the priority again that you are putting on it and the commitment. If you are starting small at this point the commitment to move forward with it as well what are you going to do to make sure that it keep moving forward and that the amount that you are looking at does continue to grow over time to sufficient incentives."

Dr. Elaine Maimon said, "I would like to chime in here for just a little bit. I think the public university presidents are undoubtedly going to be paying attention at whatever level is set. There is no question about that. You know that we are gearing up to make sure that we are fulfilling *Public Agenda* that we are looking at these measures very carefully so I think that in terms of the motivation for it to be meaningful I think at any level we are going to be paying strict attention. You know I have two hats to wear, one is representing all my colleagues and the other is at Governors State. If I were just representing Governors State I would say make it as big as set aside as possible because I think we will benefit very much from it given the measures that are here. But given the larger context of making sure we refine our measures that we are using the right measures that we are starting somewhat slowly on behalf of the public universities presidents I just want to make the point that we are going to take this very seriously no matter what level it is."

Mr. Anderson said, "I just want to say logistically the language of what is at risk has to be defined meaning that the allocation of the pot may be 10 percent but the amount at risk is what I think we have to define. What is at risk for the universities for the colleges is that .18 percent of one percent as you eluded to or is it the ten percent of the

budget. I think that is where people logistically start to get nervous and just clarifying that, what is at risk and I think Chairwoman was saying if there is not anything at risk then no one is going to take in seriously, right, to get these metrics out.”

Dr. Phillips said, “If you do a one-half percent set aside technically all one-half percent is at risk. Now, based on your performance that is assuming you would have no graduates you would no outputs but based on that you will get most of that or possibly a little more than that back based on your performance but when you say you are going to set aside the funds technically that is the amount that is at risk for performance and that is the amount that you are working to get back.”

Chairwoman Hightman said, “But I think to answer your question more specifically as to the proposal at hand, I agree, theoretically that is what we are talking about whatever the amount of money you put in the pot or you set aside from the bigger pot is the amount at risk. But what the IBHE staff is showing us and that what I was asking about to understand like the amount and the magnitude and how things change as you change the amount you set aside is that for the worst, and by the way I am not trying to get like the biggest penalty here that is not at all, and the other thing that we should be thinking about is like the greatest upside. Think about like the extra money you can get if this works well. That is what hoping everyone is thinking. I know Elaine and the higher education institutions do know that so it is not just a downside it is an upside. But what they are looking at here and I think it is important for us to understand what the calculation and the presentation shows us is that if your assuming flat funding because we have nothing else to assume now, we know what the Governor said, but the rest of the players have not yet said and done what they need to do to get it done, okay, so if we assume flat funding for higher ed that if we use the data, the measures that we have identified here and the history that we are using for the targets cause we do not have, we are in the middle of the year, people did not know that it was going to happen yet, so we are using the three year average that we have got for all these measures then in the worst case scenario an institution could lose if you only set aside a one-half percent of the budget for higher ed .18 of one percent of their budget. Which I do not mean to be trite here but that probably is rounding error. And in the best of situations which is also what we like to think about that if we do it this way and you only set aside a one-half percent of the budget for the performance funding stuff to happen that in the best of cases given the data that we have that the winner is going to get .11 of one percent more which also will be rounding error probably for them. Right. So, all I am pointing out is that doing it with just one-half percent is negligible. Is all I pointing out. It is symbolic more than actually, not now, Elaine would say, and I believe this, that the institutions understand that we mean this to be more than symbolic but this might be the right first step. And I am not saying it is not but I thinking aloud here and understanding the numbers and understanding what staff has put here. What I am saying it might be the right way to go because you do not know it could very be that no matter how good intention the Governor is here and our legislators it might end up that we do not have level funding. So these numbers will not be what we just described, they will be worst.”

Mr. Harrington said, "I totally agree with you Madame Chairwoman. However, if we have a five percent set aside in the first year that is a five percent set aside that we have to then not operate with that year. Do you understand what I am saying?"

Chairwoman Hightman said, "Because you do not know until the end."

Mr. Harrington said, "Right so I am operating on a 95 percent budget until the end of that first year."

Chairwoman Hightman said, "So you are viewing it as a cash flow issue. Even in the end if you win you have the cash flow issue all along until you get there. Is that part?"

Mr. Harrington said, "The way I am thinking about it is from the university's perspective they have to budget with whatever they are given, whatever set aside there is, and then it comes back at the end."

Chairwoman Hightman said, "I get it. Let me ask a question, I understand your point and I do not mean to cut you off I just want to understand, how would you, so we are talking about how the best performer would fare, how the worst performer would fare, under this scenario of one-half percent or whatever percentage it is. So how do you decide from who to take the dollars, during the year until it is over?"

Dr. Phillips said, "Well actually you would set aside a portion of the FY13 budget."

Chairwoman Hightman said, "I know what portion for each institution because if it is negligible we do not really know if it is cash flow."

Dr. Phillips said, "Depending on your performance value and your prorata share of the pot that is how it is determined how much of the pot you would get."

Chairwoman Hightman said, "So under the one-half percentage scenario the amount the amount that is set aside would still be negligible from a cash flow."

Dr. Phillips said, "It would be, correct."

Chairwoman Hightman said, "So I understand it but I understand your point there are bigger dollars involved it would be a more significant point I think, right, I am not arguing, I am asking."

Dr. Phillips said, "Actually what would happen is the funding for next year we would recommend whatever the percentage for performance funding be allocated based on the model and that funding would be for each university, this this this and this. In other words, based on the model, we could distribute that amount as part of our

recommendation for the FY, so they would get the performance funding money along with.”

Chairwoman Hightman said, “So the cash flow, let me just ask this, so the cash flow impact would be negligible I think under this proposal. In future years it might not be.”

Mr. Harrington said, “Right, and I am just thinking of first year, the first year.”

Dr. Phillips said, “Well the other problem you have is a current cash flow problem so.”

Chairwoman Hightman said, “Well that is a separate issue.”

Dr. Phillips said, “Right.”

Chairwoman Hightman said, “But I think your point is well taken but in this set of facts it is so small as to be negligible.”

Dr. Phillips said, “It is actually not an issue because the funding would be allocated for performance along with the rest of the funding you would be get in order words.”

Chairwoman Hightman said, “Well if it is the one that gets .18 percent less.”

Dr. Phillips said, “They would get the funding just not as much.”

Chairwoman Hightman said, “Right they will get this much less, and the one that gets more, gets a little more, but you know it is what it is.”

Chairwoman Hightman said, “Right it is a good point.”

Dr. Reid said, “And that was a major point that Elaine was making with the presidents.”

Chairwoman Hightman said, “Elaine, would you agree, I mean I know you never want to say it is not dollars are not important but if your budget was cut by .18 of one percent it is hard to argue that that would substantially impact anything, right.”

Dr. Maimon said, “Well, let me just say that in the environment any kind of cut, any kind of increase is something that we take very seriously, number one. Number two I think the whole spirit of performance based funding is moving forward in a very constructive way because the way things work in our facility as we know is each university presidents makes a presentation to the legislative bodies and you know if we are doing well on the metrics that the staff has worked out and I think they have done a

great job that is going to be a plus for us. And, you know, we are going to be highlighting that in our presentation so I think that is the concern is negligibility I do not think that that is nearly a serious concern because we are taking this extremely seriously and I think by starting modestly what we accomplish is that we preserve among the public universities, the collegiaty that is so important to the state and that we have in such a positive way while at the same time we established the principals performance based budgeting we give an opportunity to examine the initial measures refine them and so forth. We have already stipulated that we are using '07-'09 starting baseline and that is not ideal so I think that what the staff is recommending is going to be very workable.”

Dr. Aminmansour said, “What issue that is on my mind right now is that we are talking about establishing the fundamentals here now particularly for the first year I am concerned that in the future I do not want this to become, things to change because it seems like they change of numbers because the impact may be significant I mean were putting things in place right now the fundamental criteria and then later somebody might say oh well just change this number and it slides through. That would be a concern that I would have so I think to address Carrie’s point earlier about, I want to point that Rita and her group put together a very well document, very nice document that addressed stop loss issues and hold harmless issues so that may address your concern. But I do want to go back to my point earlier that the dynamics would be different whether this is for additional funds or based on existing budgets because then things change.”

Dr. Reid said, “I do have a statement at the end about the way forward. Essentially the way forward is the same way we have done is we will meet as many times but eventually we will come to grips with some recommendation for the next year will submit that to the Board in the same way we are doing it this year.”

Dr. Watson said, “You know the model that we are going to put forward should be put forward based on the merit of the model itself, not based on whether one gets one more money or less money. And if we start tinkering with the model based on that then we are really undermining the integrity of the model that is going to be put forward. So that is one. Two is, I think we need to be very careful how we are talking about we are going to do this to incentivize individuals to perform. I have to be honest, I have been in my chair for my two months, we have addressed every one of these metrics that is listed here and I did not do it because I was going to get more money. My faculty did not do it because they were going to get more money. My university did not do it because they were going to get more money. And, I do not think we want to put out there to the public because you can get some newspaper reporter who is going to write that universities are following a carrot. University presidents faculty is doing it for educational reasons. And I know that may be myopic. Somebody might say well that is the Don Quixote in the room. Now I understand the money part and I want my university to get more money and I am going to go after it but I have got to be honest we are going to achieve the metrics regardless of the dollar but I do want more money.”

Dr. Reid said, “More meetings just trying to determine the principles upon which we will base performance funding so we have these 14 principles and that is what we, those are our talking points as we go forward it is not money it is not this or that it is those principles that are funded and based in the *Public Agenda* that we were trying to remove the two states of Illinois. That is the deal, that is the reason why we are doing this.”

Mr. Larry Frank said, “I just as a general kind of public policy issue when I look at this model and I apologize for not bringing the point up earlier, if the only thing that is a negative value in here is educational and general spending and I mean I understand how the model works and probably in some ways because the weighting for the Ph.D and the master’s and the working of the thing I end up getting more money but are you not kind of saying as a matter of public policy the way to maximum your score is to spend nothing on kids.”

Dr. Reid said, “I do not think so.”

Chairwoman Hightman said, “Explain why you say that.”

Mr. Frank said, “Well that is how the arithmetic works, right, I mean if I wanted to maximum my score in one year now it is short sided and I graduate no kids so you know in future years but since there is a negative value for spending on education right my total score is what is ultimately going to be used as a what a divisor to come up with the percentage of the whole pot that I get my total score goes down as I spend more on kids. Now it is.”

Dr. Reid said, “Here is the deal, Larry. Performance funding will be re-examined every year. This is the beginning step and we are beginning because we have to deal with those subcategories. The performance funding is on top of 99.9 percent of your institution’s funding, which is educational and general for the most part. So we are talking about just a sliver of the funding to get at some issues that the *Public Agenda* says are important for us to resolve. That is why is skewed that way. But as we go forward and we see the progress that is being made then we can reshape these categories the way we want to reshape them.”

Mr. Frank said, “That is fine.”

Dr. Reid said, “Do you buy it?”

Mr. Frank said, “I buy it but the way the arithmetic in the model works, right, I am still getting a negative score.”

Dr. Reid said, “Because the emphasis is this year. This year is not particularly on educational and general spending. It is on the other things that are in the model. This year because we want to get started on this year.”

Dr. Phillips said, “The intent there and the reason why it is in there and why that is a negative is to try to give credit for those that are keeping costs down. Part of that is also tuition. And so the intent is it is cost per FTE so if you have a lower cost environment in which case many of the master’s universities do then you get extra points for being efficient and keeping the cost down. So that is the intent of that measure because we do not want, the other challenge is to continue to drive the cost of education up because that money comes from not only the state which that funding is declining but it also comes from the students so if the state funding is not going up and in some cases declining then a lot of that is put on the back of the students and they have to pay more so they actually amount being spent is higher but that is not what you would prefer. You would prefer that the cost be kept below financial aid is not available so that measure was put in there to try to provide incentives for colleges/universities to keep costs affordable relative to the completions coming out of their institutions.”

Mr. Frank said, “Got it and I get the efficiency measure I am just saying as a matter of public policy one of the things we have talked about all along is being able to explain this to legislators and being able to explain it to people and I am questioning if the notion that says as a university as I invest more in kids my score goes down. I am troubled by that. I am not convinced that is the best message for us while I am convinced it is the best message, it is not the best message we can deliver and if that is what we end up with as a beginning that is okay but I think that is one we really need to spend some time with moving forward and trying to refine because it just for me it just delivers a really ungood sort of message. Right, it says that I spend more on research and public service my score goes up but as spend more on kids my score goes down.”

Dr. Aminmansour said, “Seems like what this metric says is that the number will go down, a lower number is better so the net will be negative and then times negative, I think which I totally agree with you it does not seem right to the general public but it may turn out to be okay because you are taking a negative number times another negative number and that works in your favor but we are not saying it that way. Am I right, Am I thinking right?”

Dr. Blankenberger said, “This is also why we went with the cost per completion as opposed to cost per FTE because you are exactly right, like I said, there were three components that the institutions will funnel that money to and you are right the education and expenditures is one of those and if we think about the broad context of this what we are talking about is saying okay you produce this many bachelor’s degrees as an institution when a institution is told today from now on you are going to get more money when you produce more bachelor’s degrees then the institution has to go back and they have to figure out how to do that. They have basically one of two options. They can either bring in more students at the front end and then they have to find the capacity for that and the teachers for that and they have to control their fixed costs and all that or they have to produce them more efficiently. Well in order to produce more efficiently, generally speaking, you have to spend more on student services and you have to spend

more on faculty because those are the direct corelets to more successful completion or alternately you can bring in students who are more likely to succeed which is not what we want to see happen so we want to see happen for the institutions is take these incentives, the bachelorette degree production will go up you will get more money but they need the more money to spend on education and general expenditures etc that go to support these sorts of completion that we want to see so we have to think about the broad context but you are absolutely right and that is why we went with completion over the cost per FTE because if it is just per FTE then we are just talking about shifting dollars to different budget line items which is not what we want. Instead we are talking about improving completion components instead.”

Mr. Bergman said, “Getting back to the topic of the amount or the percentage of funding that would be at risk I do not know maybe I am hearing some of our universities saying yeah we believe in performance funding but we do not have a chance of losing any of our funding. Well that is not really what performance funding is. We have a charge from the legislature to develop a performance funding model and it is a work in progress but to have at risk one-eighth of one percent I mean to me it is almost insignificant. If it were up to me I would make it perhaps even more like .5 percent but we have to granted the universities did not have the notice to really gear up to do this understandable, but we have to have something that is a little bit more that insignificant at risk and to me an one-eighth of a point is the bottom of that category and I would do a little more but I would not go in less than that.”

Dr. Reid said, “I want to move on as quick as we can. David.”

Mr. Anderson said, “First question was when these numbers come out and the calculations are done who is doing those calculations, who is going to do, the controls, the IBHE, not a third party, just IBHE.”

Dr. Reid said, “IBHE.”

Mr. Anderson said, “Okay then to Mr. Frank’s point about investing in, my constituency the students my question into the board and to the chairman I thought the purpose of this was to become more efficient in getting particular groups of people graduated with the most efficient dollar, right, correct and so if we find that that is not happening those measures not taking place then thereafter we will it would be a work in process we would make those changes.”

Dr. Reid said, “Right, our eyelids will be wide open as we go into this funding period to see how this works. This is an experiment based on our best judgment and best practices but it is an experiment. We may come back next year where we modify and refine and make some tweaks, some very small some not so very small because we have seen that there are difficulties with the way we are doing it now. But right now we think this is the best judgment we have.”

Dr. Reid said, "I am hoping to end the meeting about 1:00 p.m. so I mean we can keep asking questions I want you to I mean I want everybody to be absolved of whatever their difficulties are."

Chairwoman Hightman said, "Let me ask this, I know we have to watch time and I know I have got a hard stop, I have got to be out of here by 1:15 so let me ask you this, let me cut to the chase for a second here just in terms of process so we all understand what we are doing here. So you have got the rest of your presentation I think we sort of have the heart of what you are proposing and as I understand it just looking this presentation quickly with you before the meeting we are going to talk about the fact that we are going to as we have done over the past four years present a step level approach to our budget the recommendation we make to the legislature and the Governor and just like last year we are going to start at a level funding amount which makes sense given what the Governor's said and we hope that good karma here will say we start there and that we will end up being where we end up at minimum and so we are going to fold this on to or apply it to the budget proposal we are going to make which is going to have base amount and then step increases. So the IBHE is going to have to approve a budget recommendation at the next meeting what is this steering committee going to do and what remains open that will need to be done before the board actually votes in February on the budget."

Dr. Phillips said, "The two things that we are looking for for approval, well actually three things, the three things we are looking for approval are the model that we approve the model and that we can implement the model and use the model as it stands to determine the allocation based on performance whatever that is and then the second thing we need is consensus on kind of what that recommendation would be to the board in terms of how much we would ask for in addition if possible or what would we be willing to recommend in terms of funds from the budget we would set aside for performance funding."

Chairwoman Hightman said, "Let me just ask you this you have already shown us metrics, we talked about metrics at the last board meeting it seems to me like the metrics part of this is pretty much I mean we can make it better but for starting out it seems like there is pretty much consensus on the metrics right, of the steering committee I mean, right I mean nothing perfect it is a good start we will keep on working on it. So the amount of the budget whatever the amount is that we get the pool of dollars for higher ed say it is a million so the question is do we say five percent of a million one-half percent of a million, ten percent of a million and my understanding you just say that the staff is proposing that we start with ½ percent."

Dr. Phillips said, "That is correct."

Chairwoman Hightman said, "Ok, is there anybody on the steering committee that believes that that an inappropriate starting point for the first year, understanding now what all else being equal will be the impact of that the good impact and the bad impact

are the winner impact and loser impact. Is there anybody that really says you cannot do that, at minimum.”

Mr. Bergman said, “Just let me clarify when we are saying one-half percent, we are really saying the most that a university could lose would be a one-eighth percent, is that correct?”

Chairwoman Hightman said, “Well all else being equal.”

Mr. Bergman said, “All else being equal, yes.”

Dr. Phillips said, “Now that is how the model worked out and once again when we were doing the model our intent, because we are just getting started, to try to balance it as best we could to put everyone at parity or put them all on an even playing field when we started because we did not want to start off with big winners and big losers given the fact that no one had a chance to do anything to react to this to implement this before this point in time.”

Chairwoman Hightman said, “Is the reason I said what I said it is not just about whether it is one-half percent or percent it is everything else too. It all works together. But, so, is there anybody that disagrees with as a starting point it is not a perfect world this is not a perfect solution we have more work to do but to use one-half percent given the metrics that staff has laid out here. I mean is there anyone who really has a problem with that? And, so everyone on the phone, everyone here present is shaking their head no they do not have a problem while nobody wants to see anybody lose money and we all want to see you all get lots more money does anybody on the phone have any real issue with that? Is anybody, I do not hear anybody saying anything, so I am going to give you like five seconds of silence to speak up. We did not hear anything so I am assuming that nobody on the phone wants to say anything, so Jeff Mays wants to say something.

Mr. Mays said, “I just, it is such a small amount I just think that there should be a statement if we are going to embrace that that this is like everything else just a beginning and the intent is to bump that up each and every year as we refine the model.”

Chairwoman Hightman said, “Hey I could not agree with you more and I am not. I got us to the floor so we have a place where we all agree, that was my starting point, okay, so we know now that we all can live with one-half percent of the budget, okay being used for performance funding with the metrics you all agree to. So now I asked you Alan, earlier, like what is the most and I think you agreed that even 1 percent, I am sorry, two percent of the budget being put to this use would get you to a place that you did not think was too large okay but then we talked down to one percent, okay, and the one percent would mean that it would still, all else being equal, in the worst case scenario folks would stand to lose maybe one percent of one percent.”

Dr. Phillips said, "That is for today, now once again these are all going to change every year."

Chairwoman Hightman said, "No, I am talking about first year. And, in the best case scenario folks stand to gain maybe .2 of one percent. So, I am just trying to take a temperature here. I am not saying I am going there so nobody have a conniption fit so what would people, would there be people that believe that one percent as opposed to one-half percent devoting one percent of the budget, higher ed budget to performance funding, giving the metrics that we already all agree to would that be just too hard I mean I know we want to get better and do more is that too hard for the first year."

Dr. Elaine Johnson said, "Is a really wonderful mechanism for sending public policy messages and what I would like to see is as you, if the first step is going to be even funding with last year and we do the one-half percent that we discussed and set aside for performance base I think that we have the opportunity as we go up the steps in the investment model to raise the amount of appropriation and actually devote most of that, all of it to performance based funding. And I think that sends the message that yes we are getting this started according to the legislation with even funding and we are all going to take it very seriously but then we have the opportunity to send the message that the higher investment, the higher appropriation is going to mean a higher investment in the performance. That is what I would suggest."

Chairwoman Hightman said, "You had a lot of people's head shaking yes here, you cannot see that so just so you know, Elaine and I think that is actually a really a good idea. Let me ask this where is my step how much does it go up each step for the recommendation that we are looking at here which obviously is subject to the IBHE board approving."

Dr. Phillips said, "Step two would be what our recommendation would be the restoration of the 1.1 percent reduction from FY11 to FY12. The four year college/universities took a 1.1 percent cut. So what the step two would be to ask would be level funding with last year plus a restoration of that."

Chairwoman Hightman said, "So you are saying 1.1 percent more and then the third step is how much."

Dr. Phillips said, "Well the third step would be in terms of the total recommendation we would not ask for more performance funding but we would ask for additional funds for specific programs, initiatives like we have done in the past. So the most we would ask for for performance funding would be the restoration of the 1.1 and the 1.1 would be allocated towards performance."

Chairwoman Hightman said, "Well maybe we could actually take step three figure out the dollar value of it and then also increase the pool because there is still more money available. Does that make sense?"

Dr. Phillips said, “The 1.1 percent restoration is about \$15 million so what we are saying is.”

Chairwoman Hightman said, “No I get that the step three how many dollars are we talking about if you restore some of these programs. You said that step three for the budget proposal and I know that is not ready for primetime yet necessarily, you are still working on and it goes to the board in February but are step three that you are looking at least in a draft form right now for the budget that you are going to propose to the Board in February would not be a percentage increase to overall dollars it would be putting back in some other programs that were taken out.”

Dr. Phillips said, “Correct.”

Chairwoman Hightman said, “Do you know what the value of those programs is about.”

Dr. Phillips said, “Last year it was 2.2 percent increase over step two and then it was another two or three percent over the previous step so it was about a two percent increase for each step and then that amount of funding was requested for specific programs, such as STEM diversity grants, MAP, additional MAP, veterans grants, those kinds of things.”

Chairwoman Hightman said, “So maybe it does not make sense with MAP, MAPS different. I take it back, I take it back. I got it, I had to get there. Okay.”

Representative Bob Pritchard said, “They were initiatives that were led to the achievement of higher performance.?”

Dr. Phillips said, “And most of these would I mean additional MAP.”

Chairwoman Hightman said, “Kind of like the institutions are getting the extra dollars it is like MAP dollars going to”

Representative Pritchard said, “I am talking about maybe student supports as an example.”

Chairwoman Hightman said, “Yeah but I think, I just do not think it works for what. But let me propose this and I do not, maybe I am speaking out of school here, but I am thinking aloud, so what about if we were to hypothecally and the board has to decide this and the board’s not here but say the board budget proposal is the first step is flat and you are suggesting one-half percentage of whatever the total dollars is for higher ed be used for performance funding, the second step you are proposing would be a 1.1 percent increase, \$12.1 more dollars, so then we say that goes to 27.5 percent or one percent of the budget what I am saying is I want to mirror it so you got your step one which is flat

but one-half percent of it goes to performance funding. The next step is 1.1 percent in the budget so we should say maybe then a percentage of the total budget or .75 percent of the total budget, I mean I do not know what the right number is and then maybe we should add in either call it step three or call it step four another increase so that we can show I think it is symbolic and it is partly what Geoff is saying show that if you get even more then even a bigger percentage of the amount of the total dollars goes to performance funding. So then we are all on the same page. We are saying yeah this is how it should work we know we cannot do it now we want to do more we would love to do more give us more money and we will do more. Right? And to me that seems like the better intellectually consistent and appropriate way to say it that would help maybe help you guys sell it to give us more money. Maybe, I mean I know that is a hard sell. But at least it gives you something more in your arsenal to say look we are going to give them more but they are not just taking it. They are going to earn it. So we are adding step. Now I do not know and I am sure that Elaine would like to speak up I know there has got to be some math to this and some numbers logic which right now is evading me but like if you go up 1.1 percent what is the appropriate amount that the performance funding piece should go up by. Are you going to double it from one-half to one percent maybe that is too much you going to take it one-half again as much so from .5 to .75 I mean I do not know and then if you say like let us assume a five percent increase in higher ed, you know if we add another step, step four, then what does it go to, maybe that goes to the one percent or the two percent, I do not know the math of it but just tell me something is there is anybody sitting in this room who has a problem with that logic and that approach.”

Mr. Obrzut said, “One caveat on the restoration of the 1.1 percent you need to look at what those items are because we want to be sure that the funding for students, whether it is veterans or MAP, is restored.”

Dr. Phillips said, “The 1.1 percent is just an operationally number.”

Chairwoman Hightman said, “Oh is it then okay it works, so I think it works that is why did not do the step three here and we can decide how many steps we want to do because we say I think five percent is a hard thing to say we should get an increase which I would love to get that maybe to say 1.1 then three percent then five percent and then add in this other stuff as a separate thing that is unrelated to what we are doing here. So anyone on the phone in particular Elaine because of who you represent does this sound right and I mean it was your idea and we are just embellishing it.”

Dr. Johnson said, “I think it sounds just right and you know I really have a lot of confidence in the IBHE staff on their working out the numbers on this and I think the general principle is what is important. I think that we are sending the message of investment and I think that step one is even funding and we are going to do as we said we are going to get it started even with even funding even though that is a challenge but then I think step two and forward you can put maybe a little bit more money into step two as a request to show a larger percentage for performance based so I think that that message

that we are all very concerned about sending can be done through the step's budget that you are developing for the next IBHE meeting.”

Chairwoman Hightman said, “And I got to say as I think about it that it does not seem weird and I am just thinking aloud again if you get another one percent to raise it from one-half to one percent for the pool because when you know that the dollar amount is small even though it sounds like it is a 100 percent increase in the percentage going to performance funding the worse problem we should ever have is that we get that extra one percentage in total dollars and then the performance funding, the amount risk for performance funding is still that very small amount. That would be a good problem to have I think, right? Alan is shaking his head yes. Elaine might not be shaking her head yes but I think she will have a hard time disagreeing with that. So, I think I just concluded our meeting. I am kidding.”

Dr. Reid said, “Al, do you want a couple of concluding words before you sit down or are you satisfied.”

Dr. Phillips said, “No but we need to talk about community colleges. In terms of the four year piece I think we are at a good place.”

Chairwoman Hightman said, “Can we do something similar I mean maybe”

Mr. Obrzut said, “Let me just, I think it is important that given where we came from in the diversity of this group and diversity of interest that we get the philosophy put in motion. And, the dollar amounts I think would be judgment of the board itself but I think it is important we put the philosophy in motion and I think that Al and Bob I cannot tell you what a great job you have done in any case this model indicates you have listened to people that it is backed by research its fair and I think this is going to surprise even the most cynical people about how successful we are in this. I just want to thank you for your hard work on this.”

Chairwoman Hightman said, “Let me ask this how much different, where are the differences, where does what we just discussed, where do the community college differ so that we have to like talk about other approaches here?”

Mr. Obrzut said, “System created their own mechanism which the board of higher ed has been working with us so our measures our different than universities as you would know.”

Chairwoman Hightman said, “But that is okay.”

Dr. Johnson said, “Yeah, but the concept in my opinion of being able to say here is the amount of money that we are recommending this first year for the community college system which is a different figure than what the universities but the step model would work the principle of saying let us not damage as much the first year let us get

ready and then shell the model saying that the concept we had with extra money. At least with your step model that you have created the last few years is that if we put our increases in performance funding then it is showing that we are really looking and we are serious about this. So the concept, the step building makes sense to me personally.”

Dr. Reid said, “And we will get with you on specific numbers.”

Dr. Johnson said, “Jeff may answer that too.”

Chairwoman Hightman said, “But let me ask this can you tell us with what you got here and I am looking on slides 27 and you have an example can you simply state what exactly first of all what it is your proposing and the comparable analysis of .18 of one percent is the worst scenario for the four years well what is the worst case scenario of what you are proposing for the community colleges and what is the best case scenario, can you do that simply.”

Dr. Phillips said, “It is slide 37. Basically what this slide says is this is a rollup of the community college model. If you look at all the charts they are basically the same it just shows the model. The way their model works is all steps are identical; each college competes independently for funding associated with each measure. Whereas we combined them all into one model.”

Chairwoman Hightman said, “It is actually slide 35, for people looking at the slides.”

Dr. Phillips said, “Oh that is right, I added two charts. 35. That might make more sense. So, all steps are identical each college completes independently, same thing funds are distributed on a prorata basis according to each institutions increase in performance. Now theirs is different that if you have a decrease you get 0.”

Chairwoman Hightman said, “Wait a second, say that again, there is no downside for the community colleges.”

Dr. Phillips said, “If you have a negative change in performance in other words your numbers drop.”

Chairwoman Hightman said, “So you never go down.”

Dr. Phillips said, “Year to year. Say you have.”

Chairwoman Hightman said, “No I understand you are saying that there is no reduction in funding even if your performance goes down.”

Dr. Phillips said, “Well, no, they allocate they have instead of one pot there are six pots, and what they are recommending that each pot have \$120,000 so each of the

colleges compete for that pot of money on each measure where ours is similar just combined. We combined ours; theirs are all separate. Of that pot of money that you are competing for if you have a negative improvement in performance or”

Chairwoman Hightman said, “A decline in performance what others would say, the rest of the world.”

Dr. Phillips said, “Double negative. If you have a decline in performance you get 0 so you do not have a chance to compete for any of that funding for that measure.”

Chairwoman Hightman said, “No you do not lose any money for that measure.”

Dr. Phillips said, “No you cannot compete.”

Chairwoman Hightman said, “Oh I see, I got it, but it is the same thing. You lost that money.”

Dr. Phillips said, “Right.”

Dr. Reid said, “But there is a million dollar pool.”

Chairwoman Hightman said, “We are saying same in a different way. It is no different than saying that the four years lose the opportunity to compete for the .18 of one percent. You are just saying it in a rosier way.”

Dr. Phillips said, “It is similar, it is done a different way. Now, if you look at the last bullet, the last bullet basically lays this out and in the case of their model and they are using a 720,000 set-aside, the best college gets back when you add all the amounts from all of different measures or the different pools the best college gets back roughly 30,587 the lowest college gets 8,914. Now if you average that out and if everybody got back keep in mind that much like the four year colleges these colleges are all different sizes. So their funding levels are actually different. But if you averaged it out the average college would have given up \$18,426 would be their share of the \$720,000 so if you got back everything you put in that is how much you would get in, so if you \$30,000 you did well, if you only got \$8,000 or \$8,900 of the \$18,000 you lost about \$10,000.”

Chairwoman Hightman said, “You lost about \$10,000 so could maybe almost close to get 40 percent on the high end and lose.”

Dr. Phillips said, “Right their spread is a little broader than the model for the four years but that is how that works.”

Chairwoman Hightman said, “I just like that there is a whole different way of talking about this in the community college world. It is no big deal it is just saying it in a different way. So, um, if I were to ask, if I was one of these guys so how is this

performance funding thing working. We want to know before we decide how many dollars to give to community colleges. How much of the total dollars in the pool of community college dollars community college GRF dollars is going to go to performance funding what would be the answer under what you are proposing? What percentage?"

Dr. Phillips said, "Um over 99 percent, would not go over, it is less than a percent would be set aside for performance."

Chairwoman Hightman said, "So it is close to the same as the four years."

Dr. Phillips said, "It is a little smaller but it is less than a percent."

Chairwoman Hightman said, "So it is the same almost, about the same so we are all being treated sort of equally here in a way, right. You are doing it in a different way but still about the same percentage at stake generally, right, I am cool with that. Hey, let me ask."

Mr. Orzbut said, "I just want to make clarification on what was passed out, it is 39 districts, 48 colleges."

Dr. Phillips said, "That is correct, I corrected it on the charts but the handouts it was incorrect."

Chairwoman Hightman said, "Ok is everybody on board with what was just described for the community colleges just as it. Anybody have an issue with it for the starting, we are not perfect it is not the best thing ever but it is a good start we are going to move forward and do better every year."

Dr. Phillips said, "I think within the community college community they are all on board with us."

Chairwoman Hightman said, "Ok and Elaine I think you said and Geoff answer this, you guys would not have a problem if we applied our step approach to you. Because you get more, you know more goes too but you get more so it is a good problem to have."

Mr. Obrzut said, "No."

Dr. Johnson said, "I see what you are saying."

Mr. Obrzut said, "Let me check with my CFO just to make sure, she is fine with that right Ellen."

Dr. Johnson said, "Well I think that our president (inaudible) phone?"

Chairwoman Hightman said, "Right you would be getting more in your operations dollars in order for this to be an issue okay so I would argue that you will still be meeting their goal."

Mr. Obrzut said, "But we are way down on what are funding levels should be."

Chairwoman Hightman said, "Sure but the point is you are still going to get more so to get more you got to pay a little bit so you are just going to get a little bit less more."

Mr. Obrzut said, "We are being funded now at what level from 90."

Chairwoman Hightman said, "But it is the same struggle with the four years. Here is what I say think about it okay because the point is you are getting more money and to us I would not if you do not agree to that I would not include in my extra steps extra money for the community colleges then because I think you have to pay to play here. You want to get more, if you want us to be recommending in our higher steps more dollars I think it is no different for you than for the four years that you should be willing to give a little bit more and I am thinking aloud I am not the whole board and I am thinking about thinking about this in terms of the discussion we just had and I am not being punitive I think I am trying to be equally fair here that if it is good for the four years that if they get more if we are proposing more revenue for them that they have to contribute a little bit more to performance funding and then have an opportunity to get more too by the way then it would be the same approach for you I do not see why it would not be any different I do not think we would be honest as a board to say yeah you do that for the four years but you do not do that for the community colleges so think about it. Do you know what I am saying though?"

Dr. Johnson said, "But I think that once this gets rolling I also think we also have to think about how this looks and when you start a very low number which I do not people are arguing about 720,000 I really hope that the community college board will think about getting on this step idea that the maximum amount of new money that go to performance based funding goes because otherwise to the public whose support we need it looks as though this is a detail and that it is not going to drive the way we operate and I think that is a misrepresentation in other words I think lots, the community colleges want to performance to the highest possible standard. So I think it is a mistake not to go with this step idea."

Chairwoman Hightman said, "I think it does not seem right to me if we do not."

Dr. Johnson said, "Well and I think it is a public perception problem as well."

Chairwoman Hightman said, "And it is not and I mean think about it it is a good problem. The only reason it would be an issue is if we have got more money and then you would get a like a tiny bit of it would be pulled off because you are talking about a teeny bit you are talking about maybe like a percent okay would be pushed to the side not

taken away from you but ultimately you will get it. It is just a question of how much of it.”

Dr. Johnson said, “Well I think Carrie and obviously everybody will talk about it but my response is it made sense to me and I am not speaking for the board I am speaking as a steering committee member but it kind of still goes with the philosophy that the Senator started with we want new money so if he gets new money it shows where that money is going so the concept of what you are talking about made sense to me.”

Chairwoman Hightman said, “And remember I guess you know in the end the nuance that we are talking about here is a board of higher ed decision it is not really the steering committee but I think that I am trying to fit it into how we are going to present it all and so I am just thinking about the first time here as we are having this conversation and we are trying to do it in a way that provides greater support for more money generally. So it is a good think. So I get that you are not going to say now, and I get that.”

Mr. Obrzut said, “Discuss it as a system.”

Chairwoman Hightman said, “But think about what we are saying okay but it sounds like for the base approach for performance funding that you guys are okay for the first year for the base level.”

Mr. Obrzut said, “Basically what our task force came up with is what you are running with so we agree with that.”

Dr. Reid said, “So you have an idea on what we are going to present to the board and the meeting is February 7 and it is at Kendall College. Once the board review this matter and gives the okay to it if that is the case then we will begin to process under direction of the legislature and the Governor’s office as to how we get to some found decision about the operating budget and we will be arguing as hard and as straightforward as we can for more. I do not want you to feel that this is the finality of this whole performance funding situation. The steering committee will continue. I will appoint a small management team. I will depend on Bob and Al to recommend members to study ways, and Arthur, to study way that we can further refine performance funding. They have heard a lot today and I know they have taken it all into consideration. It is a small management team report its findings to the steering committee. I expect the steering committee will come together about quarterly. I hope that we can meet, I am planning for us to meet March, June, September, and December, I will get a communiqué out to you but...”

Chairwoman Hightman said, “This is a like a free lifetime membership.”

Dr. Reid said, “We have to view this as a matter that is forever continuously, continuously improving so that we become the best there is at this performance funding

thing. Last comment I want to make unless there is someone else who wants to say something is that we really do appreciate the hospitality of CSU, Chicago State University, the president and his staff, we appreciate you so much for giving the opportunity to meet here in this wonderful place. Is there another comment that has to be made by anyone?"

Ms. Ladky said, "Just one if I may, just to thank people not only Representative Pritchard and Senator Maloney and the Governor's office but everybody in this room who worked to get that really, really important \$33 million restoration of MAP couple months ago just a hugely important thing that I think should be recognized here as helping us move forward."

Adjournment

Dr. Reid said, "Any other comments? This meeting is adjourned. Thank you."