

MINUTES
PERFORMANCE FUNDING STEERING COMMITTEE
May 8, 2013

A meeting of the Illinois Board of Higher Education Performance Funding Steering Committee was called to order at 10 a.m. in the Community Commons Building, Room 2012 at Heartland Community College, Normal, Illinois, on May 8, 2013.

Harry J. Berman, Executive Director, presided.
Cindy Deitsch was Secretary for the meeting.

Welcome and Introductions

The following Board members were present:

Jay D. Bergman

Allan Karnes

The following Committee members were present:

Abbas Aminmansour

Karen Hunter-Anderson

Larry Frank

Christophe Pierre

Lynne Haeffele

The following Board members were present via telephone:

Elmer Washington

The following Committee members were present via telephone:

Rita Cheng

Julie Smith

Michael Monaghan

Eric Zarnikow

Dr. Harry Berman said, "We will do introductions in just a moment but I wanted to welcome all of you to the first of a series of meetings we are going to have on performance funding. I think it is a good idea as we roll into this round of deliberations to remind ourselves of what it is that brings us here together, specifically the law that brings us together. This is sort of like reading a biblical text to get it started with our work.

"So as a reminder, under Public Law 97-0320 the Illinois Board of Higher Education is required to devise a system for allocating state resources to public institutions of higher education based upon performance in achieving State goals related to student success and certificate and degree completion. The law specifies some principles for the development of the performance funding and what the model should contain. In terms of the development of the model, we were required to consult with public institutions of higher education, as well as other state agencies, associations and stakeholders and that is what we are beginning to do today for the next round. In terms of what the model will contain, the law states that the model will take

into consideration the challenges of educating students who are at risk, the differentiated missions of our public institutions and the fundamental goal of increasing completion of college courses, certificates and degrees. And, as we go through the model again I think you will see exactly how we have attempted to address those mandates. The law also states that the model should seek to maintain the quality of degrees, certificates, course and programs.

“This is the third iteration of performance funding here under this law and just to keep our thoughts in line we are now working on the FY2015 recommendations for a performance funding model. The FY2014 proposals went forward from the Board of Higher Education in February and are part of the deliberations about the FY2014 budget that we know are taking place in the legislature as we speak.

“Today is our initial entry into deliberations for FY2015. We are going to lay out issues that are kind of the residual issues from the previous two years of deliberations and get into some of those. Try to get some clarity about them, but not seek to resolve them today. This is a first of a series of meetings and as you recall we have a group called the Refinement Committee that digs into the technical aspects of working on the model and we at this committee, the Performance Funding Steering Committee receive their recommendations and examine it in terms of our requirements under the law and the policy aspects that we would want to introduce.

“I want to again express how grateful we all are to Deputy Director Al Phillips for his stamina and sustained commitment to this work. Also I really want to say that Al has repeatedly told me how indebted he is to the contributions of the members of the Refinement Committee and the good discussions that occur there and how his job is really to facilitate the ideas that come out of that group. So I appreciate the work of all the members on the Refinement Committee.

“Let us take a moment to do introductions and I want to start by introducing a special guest that we have here with us this morning – Kim Hunter Reed is sitting back there and she is a Senior Consultant for HCM Strategies and if I had to summarize what Kim does I would say she is a researcher and a change agent. She is involved in the multitude of initiatives that are going on around the country in the arena of higher education improvement. More particularly in terms of Illinois, she is the state advisor for Illinois on the Lumina grant, known as the Strategy Labs and she is working closely with the Lieutenant Governor’s office. She has a rich background in state and federal government and in journalism in policy development and she even had a very significant role at a higher education coordinating board. And, so we say yes to that. Thank you for being with us this morning, Kim.”

Those in attendance introduced themselves.

Performance Funding Refinement Presentation and Discussion

Dr. Alan Phillips said, “Welcome once to another of a continuing series of meetings on performance funding. This meeting is actually a continuation of a meeting that we had a week or so ago of the Refinement Committee, and we have scheduled a series of meetings over the next

year, hopefully to address all these issues and bring them to resolution well in advance of the budget process so we can get out ahead of things this year.

“The purpose of this presentation is specifically to identify those issues associated with the refinement of the performance funding model. As we finished up last year’s effort there was still a number of issues that had yet to be resolved and to do this is accordance with the Public Act, the performance funding legislation and the goals of the *Public Agenda*. For those of you who may not be familiar with the effort, I know we have some individuals who are new to this particular effort.

“The performance funding objective was to develop models for universities and community colleges that are linked to the goals of the *Public Agenda*, account for each university’s mission and circumstances, account for adjustable, to account for changes in policies and priorities and are not prescriptive in how to achieve excellence and success. Dr. Berman talked about the legislation; more specifically this is what we were directed to do as a result of the Public Act. Rewarding performance of institutions in advancing success of students who are academically or financially at risk, first generation, low income, those that are traditionally underrepresented, account for different missions, focus on completion, maintain quality and recognize the unique and broad missions of the community colleges. Those were all things specified in the legislation.

“We started this effort in order to provide some form of a framework for the discussion. One of the things I did was kind of outline some of the considerations. The first thing, all things being equal, simple is always better. The model has to be complex enough to do what it is that is needed to do but has to be simple enough that it can be explained to all of the stakeholders or to someone who may not be familiar with what we are doing. In some of the other states they ran into issues and problems when the model was so complex that the only people that could explain where the state education agency officials who designed it and no one else understood how it worked, how it functioned and that created a lot of problems. So what we are trying to do is make it complex enough to do what we want it to do but still make it so that people can understand it.

“One of the other issues is that the more measures you add, the more you dilute the weighting of the existing measures. In, I think it is South Carolina; they came up with a performance funding model that had, I think, 57 different measures. It took people full time at all the institutions just to try to manage the data and to manage the model. In that case when funding declined it was so cumbersome they quit using it just because it was so much work, took so much effort to actually implement that it was seen as not worth the effort. This is not an exact science. Frequently as I go through this I think is more art than science on some occasions. We are typically using proxies for exact measures because we do not have the exact data that we want for a specific measure. The other challenge you have is that you cannot capture the infinite number of variables which you could define performance using five to ten measures and half a dozen subcategories. What we are trying to do is develop a model that captures the essence of performance in specific areas but you cannot possibly measure everything and once again, this is not an exact science. We are doing the best we can with the measures and the data we have to work with.

“Speaking of data – data continues to be a challenge. Some of the states that implemented performance funding had longitudinal database systems in place for a number of years. We are still in the process of developing our longitudinal database system and although we are making good progress, last year we had for the public universities 350,000 unit level records were put into the database. This year we are also adding the privates and for-profits, but once again, it is going to take a couple of years before the data is of such fidelity that we can use it because we are still working through definitional issues, resubmissions. We will get there, so in the meantime we are using the data we have that is available and in some cases we are surveying the institutions and asking them to provide the data because they have the best data available.

“The first go around. In FY2013, very briefly, these were the six performance measures that we agreed to and used for the FY2013 performance funding model. These were the FY2013 subcategories. I think we are all fairly familiar with those.

“In FY2014 the refinement effort was to see if we needed to identify additional measures and subcategories to add to the model, see if we could come up with better sources of data. One of the issues is scaling of the data or normalizing the data because the measures are different. So if you do not do this it is very difficult to add the number of completions or bachelor’s degrees to \$100 million in research spending and get a number that means anything. So we came up with a way to scale or normalize the data. It is not perfect, but once again, to try to come up with a very complex model using Z scores and statistical analysis that is difficult to explain where people will understand what you did. I looked at what Tennessee did for this and this model largely is very similar to Tennessee’s performance funding model. They just picked numbers. They did not even have a model. They said well that will be a 2, this will be a 4. Ours is a little bit more complex and it actually does what we want it to do. It is not perfect but people understand how it works. In the Refinement Committee meetings and my discussions with all the universities, this was the biggest issue. We had lots of discussions at the Refinement Committee meeting where most of the representatives were directors of the institutional research departments at the universities and we can do this differently, but then you make it very complex and so the consensus was that this is about as good as we can do yet still be able to explain what it was that you did where people can understand it. So it does what we need it to do and no one as of yet has come up with a better way to do this that is simple or simple enough and so the consensus is that we should stick with this unless someone comes up with a better way to do this. So for scaling as we go forward we are going to use the existing methodology as we go forward.

“The other issue was there are a number of high cost entities – hospitals, medical schools, dental schools at some of the institutions. The problem when you have a model based largely on completions but you are also evaluating the efficiency of the spending and cost that are also wrapped into the model. These are very high cost entities that produce very little output in terms of completions. So the issue there was we need to find some way to account for that in the model so that they are not penalized. For instance, University of Illinois at Chicago has a hospital. That counts in terms of their funding which is a significant portion of the University of Illinois funding, but it is not, it is more in the public service arena, it really does not produce an equivalent number of graduates. So that is something that we were wrestling with.

“The changes we made – we deleted the education and general education spending per completion measure, we did add cost per credit hour using cost study data, cost per completion using cost study data, credit hour accumulation for persistence, that is what we call that, and graduation rates in terms of percentage of time, 100 percent, 150, 200 percent of time.

“We did not change the subcategories. We did change a couple of the sources of data. For low income, Pell and MAP initially for 2013 that data came from Illinois Student Assistance Commission (ISAC), but once again, that is rather general data. Last year we went to the institutions who had better data than ISAC and used data provided by the institutions. In terms of STEM and healthcare we more clearly defined those fields. We are now using the Homeland Security list of STEM programs and CIP-51 which is largely the healthcare programs. That seemed to encompass the majority of the STEM programs. We did have discussions with some of the institutions that wanted some other STEM programs added in. It was felt that, once again, it is important to keep it simple and clean to the extent that you can. It is very easy to get into discussions of ‘is this a STEM program? Is it not? Which one should fall under this?’ This keeps it very clean, straightforward and everyone understands exactly what is under consideration, so that is what we did.

“For FY2014 I will go into very briefly with the results. In FY2013 there were seven steps. This year we added another step which is the adjustment factor for the high cost entities. Basically the model is the same. You identify the performance measures which are listed here and the sources of the data. You collect the data, we use three year averages where possible. One of the challenges you can see some of the data is not current. That is the most current data we have. So, one of the problems is that sometimes the data lags the money. So when we are allocating funding for this year we are using data from two or three years ago which is a challenge, but once we get the longitudinal database system up and running that should help. But, we use the most current data we have.”

Mr. Larry Frank said, “You have looked right and when you compared across a couple of years that is probably not that much that you lose because of the lag is there?”

Dr. Phillips said, “We average three years to account for any spikes or anomalies in one year set of data. So we are trying to average over a number of years because things can happen in an institution where you may have something that is out of alignment. So, we do average, but some of the data just does not exist for the current year so we use the most current and we average. It is consistent. Now, the issue is.”

Mr. Frank said, “My question was actually when you talk to the university research folks it was not a big deal right? I mean, the numbers that you are using for them seem pretty consistent with what they had?”

Dr. Phillips said, “Right. Here is the issue and I had this discussion with a president. I am being assessed on my performance today. If I do something that improves my performance, it is not going to show up for three years. That is the issue and that is a concern. So, we are

trying to put measures in where possible that use more current data so they can get credit for things that they are doing currently.”

Mr. Jay Bergman said, “Well Al that brings up a question on any of this stuff. Let us just say in bachelor’s degrees okay. Alright we can look at it and we can see it is a performance measure and then modify it with subcategories, but in any event if we are, what are comparing it against? If we are looking, this current year, we are looking at a year’s worth of bachelor’s degrees, are we comparing it against a three year period before that? Are we comparing it against a three year period that includes two years that are not there? I mean what are we comparing it against?”

Dr. Allan Karnes said, “All the other schools.”

Mr. Bergman said, “You say all the other, and this may be true about all the other schools. I mean if you take a look at bachelor’s degrees at all our different universities, they are different sizes. It is maybe other factors that are more important than the number of bachelor’s degrees in some cases, but again I am not following you. How, let us just take Northern Illinois University because I understand there is a number of people here from there. How are we going to measure if they get credit so to speak for their bachelor’s degree? I mean we have measure it against something else. What is it?”

Dr. Phillips said, “The way the model works is you are trying to create a performance value for each of the institutions. One of the challenges of performance funding is that you have one pot of money. If you do a set aside it is a carve-out. It is one-half a percent in this current case, one-half a percent of the appropriation. Last year it was about \$6.1 million. So you have one set of money. So what you are trying to do is create a model that provides incentives for them to improve their performance from year to year. That is what you are trying to do. In all of the different areas, but it is also relative to all the other institutions because by definition performance means that if some do better they are going to get more but that means that some are going to get less, because either you are going to give them back exactly what you took away or you are going to allocate it based on the changes in performance of each of the institutions. So what they are actually doing is creating a performance value that assesses performance across all of these areas and the subcategories. All these areas that we were directed to look at relative to each other institution from year to year and the way it works is that even if you improve your performance from last year to this year depending upon what the amount of money set aside is, the thought is that you would get additional funding. If everybody increases their performance by the same amount, everybody would get back exactly what they gave up. If you improve your performance and someone improves their performance more then while you may get some, they will get more than you did because relative to each other their performance improved more than your performance did. Now this is actually to some extent based on how the community college system is currently funded. That is based on enrollment. All the community colleges compete against each other for state funding based on enrollment. It is an enrollment based model. So if you are at a community college and your enrollment goes up but another community college their enrollment goes up more, then they are going to get a proportionately larger share of the state allocation then you will because it is all tied together.”

Mr. Bergman said, "Al I asked you for the time and you told me how to build a watch. Let us get back to the bachelor's degree for a second."

Dr. Karnes said, "I think I can explain that. You look at the production of bachelor's degrees by an institution so its relative share of those bachelor's degrees."

Mr. Bergman said, "We have nine actual institutions in the state, twelve primary campuses."

Dr. Karnes said, "Right. So let us say X University their share is ten percent and then that gets compared really to their relative share of the carve out."

Mr. Bergman said, "Well then let us just take Northern again for an example and let us just pull a number out of the air and said that one year ago they produced ten percent of the bachelor's degrees in the public universities in Illinois. This year they produce eleven percent. So relative to everybody else theirs is higher. That then will be input into this formula."

Dr. Phillips said, "And their performance value then would be higher this year than it was last year if they had improved from year to year."

Dr. Christophe Pierre said, "Actually it is interesting, I was thinking about that in the car driving over. It is not clear to me how you measure the initial performance. I can see in the second year, third year the exercise. If an institution produces more bachelor's degrees than others, it increases more than the others do, it is going to get a better share, but in year one the first year the number of bachelor's degrees here does not account for the size of the institution for example. Clearly the University of Illinois is going to produce more bachelor's degrees than Northern Illinois. It is not necessarily because they are doing a better job, it is just bigger and maybe actually it spends more doing this. I do not, see the graduation rate I can see, that is a relative measure and you see where the constituents graduate 80 percent or 60 percent. That is assuming performance better, but the number of bachelor's degrees is not arduous to me."

Dr. Phillips said, "Well it is also relative to the set aside for each institution because if you look at the total performance value, the value for the University of Illinois is much much larger than say Eastern. Also what you are essentially doing is competing for your piece of the funding so [inaudible]."

Dr. Pierre said, "[Inaudible] Assuming it is a good description."

Dr. Phillips said, "Correct. So what we do is we take five percent off of the appropriation for each separate institution. So basically what we do is set that aside but it is relative to each institution. So one-half of a percent of UIUC is much much larger than one-half of a percent of Eastern, but once again your performance value is going to be much much larger so it is relative to the size of the institution."

Dr. Pierre said, “So you are assuming that an institution produces bachelor’s degrees according to the initial allocation it gets from the state, its portion of the allocation and then you see how that progresses from year to year.”

Dr. Phillips said, “In terms of the initial baseline that is what we have been trying to get to. That is why we requested that the amount be very small. Well it is why we requested additional funding first and so that we can make sure that what we do is equitable across all the institutions, because the challenge is you have twelve completely different and unique institutions, yet you have one model that has to work for and be equitable across all these institutions.”

Mr. Bergman said, “The U of I has three campuses, SIU has two campuses, everyone else has one that is why we have twelve primary campuses and nine public universities. When utilizing this say for the U of I, do you look at each campus separately?”

Dr. Phillips said, “Yes.”

Mr. Bergman said, “You do.”

Dr. Phillips said, “Because UIS, UIUC and UIC are completely different institutions and so we actually have gone back to them and said okay we have a number that is a U of I number, we need you to break that down by institution so we can make sure we have captured that for each of the separate institutions.”

Mr. Bergman said, “Well then could I say that would then because I know when the legislature allocates money they allocate money for each campus and then they allocate some for administration. Do we say that it is possible that Urbana could perhaps lose funding one year relative and Chicago could gain it?”

Dr. Karnes said, “Yeah.”

Dr. Berman said, “I guess so.”

Dr. Pierre said, “That is what happened.”

Dr. Phillips said, “We actually have very little control over the actual appropriation. Now what they will do is come to us and say here is what the higher education number is, but yeah they can be different and if you look at the...”

Dr. Berman said, “This is not just a hypothetical thing, it actually in FY2014 there was that differentiation among the campuses where Urbana and Chicago gained a little bit and UIS lost a little bit.”

Dr. Karnes said, “Edwardsville and Carbondale were different.”

Dr. Aminmansour said, "Continuing the discussion on the number of bachelor's degrees and maybe to some extent master's degrees, is there a way to account for when an institution reaches its capacity and they cannot produce more bachelor's degrees unless they have more facilities, hire more faculty which will cost more? Otherwise it seems like they are not improving anymore when they reach that threshold."

Dr. Phillips said, "The answer is no. We have not figured out how to do that yet. If you look at the graduation rates across all the institutions, there is a very wide disparity. I think at UIUC it is like 83 or 84 percent. At Chicago State for instance it is much lower. So that is one of the challenges, because once again this is not an exact science and some of this is very difficult to figure out how to do, but that is something that is a concern that we have discussed. In some of the other states some of the institutions that has been an issue because, I think in Indiana is having that problem right now because one institution says we already made all these improvements, we are already doing really well and now we are being penalized because we cannot improve. That is an issue. That is a concern. Right now I am not quite sure how we would go about addressing that, but it something we can discuss if we need to."

Mr. Bergman said, "I would hope at some point and I am sure we will be discussing this at other times today and in future meetings, the three year average is not that much of an incentive as somebody said before. One year or two years, I think would be much more of an incentive."

Dr. Pierre said, "Can we use data for 2012? I mean we have."

Dr. Phillips said, "This is for last year. For the next year we will use another year ahead data, but this is the most current data that we have."

Mr. Bergman said, "If we were to look at it on a school year basis rather than anything else. If we are looking at what we should be looking at now might be the 2011-2012 or actually 2012-2013 year because that data will be available by the time this fall comes and we will look at that using the formula."

Dr. Karnes said, "Not necessarily."

Mr. Bergman said, "Well are you guys a little slow down south?"

Dr. Karnes said, "No sometimes it takes a long time to get those degrees posted because you have changes."

Dr. Phillips said, "For instance, community college, their funding is based on enrollment from two years ago. That is how long it takes for the numbers to get in and get plugged into the system. So their funding for this year, for 2013, is based actually on 2011 enrollments."

Dr. Aminmansour said, "Cost per credit hour. What is the basis for that? Is it instructional costs? Who determines that? The institution or how do we figure that?"

Dr. Karnes said, “That comes right out of the cost study.”

Dr. Aminmansour said, “What do you take as the basis? Divide by the credit hour?”

Dr. Karnes said, “I do not know. Are you using instructional or total?”

Dr. Phillips said, “I think we used instructional costs. It is a very simple, once again simple calculation. Instructional cost divided by...”

Dr. Aminmansour said, “And that comes from the institution?”

Dr. Phillips said, “Right.”

Dr. Aminmansour said, “Thank you.”

Dr. Phillips said, “To the subcategories – we stuck with the same subcategories. There are others that we would like to add. One of the, as you saw in the legislation, we have been told to track first generation students. There are some other things that we would want to add. We do not have the data. Some of this we will have when we get ILDS. I used first generation students as an example.”

Dr. Karnes said, “Geography.”

Dr. Phillips said, “Yes, geography is another one. The problem is that it is one self-reported on FAFSA forms. There are different definitions, if you go to each university defines that a little differently. So there are huge problems to actually even coming to a point of all agreeing on what that is and then there is another problem of trying to figure out how you are going to collect all the data. This is actually in ILDS. It is one of the data elements in ILDS. We would have that, but for now these are the subcategories that we are staying with until we have more good data for some of the other ones and then we will incorporate them in the future.”

Mr. Frank said, “Which geography?”

Dr. Phillips said, “Regional.”

Dr. Karnes said, “Where you grow up or where you come from if it is a low academic achieving area. So if you came from Pope County and went to college and graduated, well typically that school would get extra credit for graduating someone from a low academic achieving area.”

Mr. Frank said, “How is that different from the low income?”

Dr. Phillips said, “Well there is a lot of...”

Dr. Berman said, “This is worth thinking about because it gets us into the realm of like the value added by adding another variable and let us just take first generation as an example.”

Mr. Frank said, “Well if we are going to get to this discussion later do not hold it up for me now. If this is going to come at another meeting I am comfortable waiting for this discussion.”

Dr. Berman said, “Well just at a higher level of action. Just know that we have to always be mindful of what is going to be the benefit of adding another variable. We know that there are first generation students out there and we can presume that it is more difficult to see them through to the point of graduation, but the data are very problematic. That is the first point and second of all how much is contributed to the model by adding that variable as distinct from the ones that are already in the model – the low income and the ethnicity, and the answer may be very little is added to the model and what it takes away is it increases the complexity. So we have to balance out these things. So at any rate we cannot do it now anyway because the data are simply not there but it is worth thinking about whether we would even want to add it.”

Dr. Phillips said, “I will touch on a similar issue later in the presentation where we looked at a similar issue as to whether or not it made sense to add it because it was pretty much captured in the subcategories that we already have.

“Scaling – we have not changed this. This is how that works. This is what it looks like. We take the universities, as you can see bachelor’s degrees 2,800 and I am trying to add that to \$112 million. That is a little challenging to do so we came up with a scaling factor. The base number was bachelor’s degrees. We normed everything to that number and then we took a look and applied common sense and judgment. We came to the conclusion that a doctoral degree was probably not worth twelve times a bachelor’s degree. So we made some common sense adjustments, rounded off some of the numbers and on the right is the final scaling numbers that we used.

“Weights – very simply this is how we weighted each of the performance measures. As you can see it is done largely by Carnegie classification. For the very high research institutions such as UIUC or UIC bachelor’s degrees are lower than at the master’s institutions but the research is very high because that is a significant portion of their mission. As you move to the right down to the master’s college and universities as you can see, for instance, research is very small. In the case of doctoral programs for EIU and NEIU those are zeros because those programs are either so small as to not merit consideration or non-existent. So we adjusted the weights for the measures based on the mission of the institutions. These are just how the calculations were calculated. As you can see this institution, it is a fictional institution their performance value would be 3,200. This is the calculation for high cost entities. Once again, the first go through this was a fairly simplistic measure. We took the amount the appropriation dedicated to the high cost entity, factored that back in, multiplied times the total performance value and simply added it back in. So in the case of the institution that had the 3,200 performance value, that would now give that a performance value of 3,520 based on the calculation for the high cost entity. I will talk more about that in a little bit.

“We used the total performance value to calculate the percentage of, what we do is we add up all the performance values so you get a total number, then we do a pro rata share based on

the percentage each institution has of the total. Multiply that times the total amount of money available and that is how we come up the performance funding allocation.

“The results for FY2014 and this is based on our recommendation, we do not have the FY2014 appropriation yet, but based on our recommendation, assuming one-half percent set aside and we are still using the Governor’s budget went in with a 4.95 percent reduction in state spending for higher education. While we expect the appropriated level to be less or level, for purposes of this exercise we stuck with the Governor’s numbers because those were the last numbers that we had. Based on that and our performance funding model, the variance in allocations range from basically plus .2 percent to minus .2 percent and the spread across the institutions was the most any institution received was an additional \$70,000 and the most any institution lost was roughly \$100,000. The next chart basically shows you the breakdown.”

Dr. Pierre said, “Does it mean for some institutions performance based funding will compensate 4.95 percent?”

Dr. Phillips said, “No.”

Dr. Berman said, “Only in the sense it would make the reduction somewhat less than 4.95 percent.”

Dr. Phillips said, “Yes we took your reduction.”

Dr. Pierre said, “Is it not a net gain.”

Dr. Phillips said, “No. This is what you would get with level funding. You got \$70,000 more than you would have gotten or \$100,000 less than you would have gotten in the Governor’s budget when you factor in the performance. So the spread is very small.”

Mr. Bergman said, “Insignificant really. It is going to have to be greater if this is ever going to mean anything to these institutions.”

Dr. Phillips said, “Our concern is that we also want to get to a level to where we all agree on the model and we can lock it in so that we can go from year to year with consistent values before we ramp up because what happens then is these numbers get much greater and the disparity between what the institutions receive will be much larger. So while we fully expect that this will increase in the future we are trying to get the model locked in where we all agree that this is what we are going to stick with for a while and to make sure that it is equitable across all the institutions because as soon as you do that these numbers, if you increase it by five percent you add a zero to all of these numbers. I think you have copies of these. This is based on the Governor’s budget this these would be the, if the appropriation comes out at 4.95 percent this is what all the numbers for the institutions would look like to include the performance funding component and so you can see how it was all broken out.

“No we are getting to the meat of today’s meeting. Refinement issues for FY2015. At the end of the discussions for FY2014 there were a number of issues that still remained to be

resolved and I looked at discussions from board meetings, discussions from steering committee meetings, other discussions I had with presidents and other folks and so these are the issues that I put together as the issues that we still need to resolve.

“So the first one is: what is the best way to account for the difficulty of getting underrepresented students through to completion throughout the model? How do you account for less prepared student or can you? Are there differences in the cost completion for different subcategories of students? So as we talk about the subcategories should we look at weighting those differently based on what the differential and cost is for each of those students? For instance, someone who is in a STEM program obviously would probably cost, that cost would be different than someone who is an adult student for instance. What is the best way to address the issue of transfer students and part-time students? As you know, those are not included in IPEDS data and that became an issue last year and so we are looking at how to ensure that those are captured in the model.”

Dr. Berman said, “Just a point to clarify. They are not included in IPEDS data when it comes to the variable graduation rate variable. They are there in enrollment counts.”

Dr. Pierre said, “Not in the number of degrees count.”

Dr. Berman said, “They are not in the number of degrees count, but where it is...”

Dr. Pierre said, “It is not in the number of degree?”

Dr. Berman said, “It is. It is. But, where it is not is in terms of graduation rate which is based on first-time, full-time students. Right Doug?”

Dr. Karnes said, “And retention.”

Dr. Phillips said, “Retention.”

Dr. Berman said, “Also not counted in IPEDS definition of retention.”

Dr. Phillips said, “Other issues – are there other high value degrees and programs to add to the STEM programs? Should we look at revising the STEM list? Are we giving enough priority to measures of efficiency? Is there a better way to account for high cost entities? Are we adequately accounting for institutional improvement from year to year? Do we want to change the measures of the subcategories and do we change the sources of the data? So this is what we looked at and these are the issues that came up and we discussed in our Refinement Committee meeting.

“So the first one – what is the best way to account for the difficulty of getting underrepresented students through to completion throughout the model? Four or five subcategories that address underrepresented students and they are weighted in the completion rates for bachelor’s, master’s and doctoral measures, but they are not included in any of the other measures in the model. The issue is as they also are in those other measures do we use weighted

numbers for the measures for instance of cost per completion or completion per 100 FTEs. Or, one of the concerns is that if we do that then you may in fact be overweighting those students in the model. Right now those students are weighted in the subcategories at 40 percent. Our concern is that if you count that extra 40 percent four five times in the model now instead of one that student may be a count for two or three students and is that what we want?"

Dr. Pierre said, "Have you looked at putting this aside, this additional weight of 40 percent? It is very significant, 40 percent. Have you looked at what happens to the results if you make that 30 percent, 20 percent, 60 percent? How does it change?"

Dr. Phillips said, "We actually did. When we originally decided on 40 percent we ran the model with a wide range of percentages for all the subcategories and we got very interesting results. Forty percent seemed to work the best and that is consistent with what some of the other states do but we actually ran the model using a wide range of weights and 40 percent was a number, it was interesting, because we did not just say they were all going to be 40 percent. We actually looked at each individual subcategory and ran different weights for each one. It turned out 40 percent seems to work the best and allowed us to balance the model the best. Our concern is that if we use the weighted numbers all the way through then we are probably going to have to go back and relook the weights for the subcategories to avoid overweighting. Now what the Refinement Committee, the consensus was we weight the completion numbers very heavily and is that enough to account for the other measures in the model or do we want to add them in at every point. So what we decided was that we really will not know until we take a look at doing that. So what we are going to do is we are going to look at results based on both methods and see if we need to go back and reweight. What happens using and now that we have another year's worth of data that we can actually use, we think we can use data from this year to run the model to see what will actually happen if we make the change."

Dr. Karnes said, "To me it just does not make sense to use completions that are not the same in different areas of the model. Once we determine what completions are under a weighted basis we should follow that through and use it for the cost of completion and for the number of completions per FTE, because with any school that has a significant number of students that we liked those measures are going to be costly for those schools. So for us to not do that it is giving with one hand and taking away with another."

Dr. Berman said, "And this is the very point of discussion that we had at the board meeting and which we are putting to an empirical test to look at the impact on the model as a whole of either caring forward that additional weighting on the cost per completion side or not. And so it is, the Refinement Committee will look at it and see what it does, but I understand what you are saying that on the one side you could say caring the weighting through is logical but then on the other side there is the matter of the potential for overweighting."

Dr. Karnes said, "Harry if you look at the Public Act it says performance metrics shall reward performance of institutions in advancing the success of students who are and then they list the students. That ought to be our primary."

Chancellor Rita Cheng said, “I am having a tough time hearing but I think I just heard Allan say what I was going to which is that when we evaluate the performance of the model we have to do that in concert with the goals of the *Public Agenda*. And so whereas the weighting throughout may put a lot of weight on the measures of underrepresented students. That seems to me that it goes along with the *Public Agenda*, not only enrolling but in completing. I applaud the willingness to look at the results of the current versus weighting all the way through but also want us to make sure that we keep in mind that evaluating the model is truly that is has to be connected to the *Public Agenda*.”

Dr. Berman said, “Thank you Rita for noting that.”

Ms. Lynne Haeffele said, “I have a comment on these lines. I have a related comment on this topic. Throughout in various places in the presentation and also in the discussion we use the word we will find out what works better or we will find out what works best and I think we will have to be careful to define what do we mean by better or best and I think what Rita and Allan are just saying goes to part of that defining and is it in relation, what works best in terms of forwarding the goals of the *Public Agenda* for example. Seems like a good way to start defining better or best. I think the danger is if we define better as what is the thing that least upsets the model or you know what the thing that causes the least anguish in any given quarter or something. I just think we need to be careful with those definitions.”

Dr. Berman said, “That is a very good point, but I would say that there is also a version of this that would say not so much better but just to say the empirical question. What is the impact of making that change on the distribution of these adjustments as a whole? But, the point taken about that there are some policy issues that we are trying to effect change in and we should always be mindful of that.”

Dr. Phillips said, “The next issue: what is the best way to account for less prepared students in the model? One of our challenges is we do not have a good way to track these students and this gets to the discussion about underrepresented students. In the Refinement Committee we talked about that the majority of these students are already represented in a number of other categories and one possibility would be to add another subcategory for remedial students and using the CCA definition that would be first time undergrad students completing remedial education courses in math, English, reading or both who achieve a bachelor’s degree, but the Refinement Committee felt that most of these are already captured in the weighting of the subcategories and this was going to be difficult to try to capture and add into the model and so therefore the Refinement Committee recommended that we not add this to the model or not change the model to add in a remedial category.”

Dr. Berman said, “And linked to the fact that the whole way we think about remedial work with students is under a lot of flux right now. So, it is problematic to think about just targeting students who are in remedial classes.”

Dr. Phillips said, “Now once again for a lot of these things if we need to come back and revisit them at a later date we can certainly do that, but for at this point in time for some of these issues the recommendation was that we do not change the model based on the issue of remedial.”

Dr. Karen Hunter-Anderson said, “Just as a point of information in the community college model we do address students and we give points for lack of a better term for those students for the percentage of students or number of students who transfer into credit college credit courses from developmental or remedial courses.”

Dr. Phillips said, “This is actually a much larger issue for the community colleges.”

Dr. Hunter-Anderson said, “Exactly.”

Dr. Phillips said, “Then for the four-year institutions.

“The next issue: are there differences in cost per completion for different subcategories of students and should that be integrated into the model? We agreed there are differences in the cost between subcategories but they would actually vary by institution and actually by program. Currently there is no good data to identify what those costs would be unless we went to each individual institution to try to determine cost for an adult student or their cost for to put a Hispanic student through to completion. We were not sure how much this would add to the model but we were quite sure that this would certainly create an additional level of complexity and difficulty in actually getting data and identifying the differences in the data between all of the institutions. So therefore, the Refinement Committee the consensus was that we not do this and make no change to the model but that would significantly make the complicate the model or make it much more difficult but we did not think the benefit would be significant enough to justify the additional effort and difficulty of trying to do that.”

Dr. Karnes said, “Al simply by using the weighted completions for cost to completion this issue goes away.”

Dr. Berman said, “Yes that is a good point and we need to be clear that this is how this is different than the issue on slide 26 and you are saying that if we adopted the route of weighted cost per completion this would go away.”

Dr. Karnes said, “Yes.”

Dr. Phillips said, “What is the best way to address the issue of transfer students and part-time students? This became an issue as we previously discussed because they are not included in the calculation for graduation rates for retention measures. We did survey the institutions for this data last year because they were the ones that we did not have a good source for this data. For part-time students, with a few exceptions the part-time student numbers were of such low density that they really did not impact the model. They were much lower than we thought they were going to be and so we did not include them and we recommend that we not include them going forward.

“For transfer students one of the issues is that students transfer in with different numbers of credits, how do you capture that? They can come in with three credits. They can come in with 80 credits. So how do you account for that in the model once they get to the institution?

One of the things we talked about was it we might be able to use the Complete College America transfer categories and once again we always try to go in terms of data or definitions to a widely recognized source or a very widely used definition for something along the lines of transfer or remediation. So in this case the transfer categories are 30 and fewer, 31 to 59, or 60 or more credits.

“So what the Refinement Committee decided was that we would not include part-time students due to their low density and once again this is a much larger issue with community colleges, but we would incorporate transfer students in the graduation rate in persistent measures. Now these numbers are not in IPEDS so this is another, this is data that will have to be provided by the institutions but we have not exactly figured out how we are going to do this, how this will all work. We are just now to the point of deciding that we are going to take a look at this and this is how we are going to try to move forward but that is how we plan to incorporate transfer students into the model.”

Dr. Karnes said, “I have a question about this about how it might work. Let us say for if we are using this for the number graduates within 150 percent of the time which would be six years. So you take a transfer student in and let us say that transfer student has exactly 60 hours. So would we say well if that transfer student graduates within four years that that transfer student would count in the 150 percent figure? Okay, now the problem with that and I am just thinking ahead, our school did a transfer study last year and I think the average number of credit hours coming in for transfers was 111, 111 credit hours. Now obviously most of those credits or a lot of those credit hours are wasted credit hours. So I think what we ought to be looking at is the number of hours needed to graduate because if someone comes in with 111 hours but they still have to take 70 to graduate because the hours are not usable then that kid might not get out in the required amount of time. You see what I am saying?”

Dr. Berman said, “I think that is a good starting point for discussion. I think for today I want to make it clear that in this iteration of the performance funding we are committed to sharpening that graduation rate.”

Dr. Karnes said, “No, I understand.”

Dr. Berman said, “In order to include success with transfer students and this was an issue that President Hahs brought up in a very clear way as we moved toward the February board meeting. I wrote to her yesterday indicating that we were going to address this issue this year. How exactly how we do it, not quite clear yet, but we need to do it.”

Dr. Phillips said, “One of the purposes for today’s sessions. We do not have all the answers today but address a number of the issues, maybe take them off the table and say okay we can agree that we are not going to add this to the model, or in some cases we have agreed that we are going to delve into this in more detail. In this case I do not have the answer yet. We have not really figured out exactly how to do that. One of the issues is or one of the things we could do is take a look at the CCA transfer categories. I expect that this will be worked in more detail in upcoming Refinement Committee meetings, but what I do want to say is this is an issue that we are going to put more effort into to try to resolve it. Based on the note you sent me yesterday

there are still issues. Once again, this is not an exact science. Even the 31 to 59 or 60 are just measures that we have chosen. They are not necessarily magic, but in order to categorize the number of transfers in some way. So we will look at that in more detail. Your point certainly is worth taking a look at because that may be a better way to do it, but we have a lot more work to do on this one. As we have found none of this is easy and requires lots of thought and discussion, but for this point the answer is or where we are is we are not going to include part-time because they are just not a big enough issue, they just do not do that much to the model. Transfer students we absolutely are going to figure out how to incorporate them. We just have not exactly figured out how to do that yet. We have some thoughts, but we have not figured out how to do that yet.”

Ms. Meegan Bassett said, “Al, this is Meegan Bassett from Women Employed. I am actually hearing you okay, but I am having trouble hearing everyone else, so I apologize if I am going to ask something that was already asked. I am just curious what was the number or percent of part-time students at universities you were seeing?”

Dr. Phillips said, “I do not have it at hand, but they were very few in number. They were. Doug, do you remember roughly what the numbers were?”

Mr. Doug Franklin said, “I think single or double digits in most cases. It was very very small for the majority of the schools.”

Dr. Phillips said, “Even when we plugged them in it made essentially no change in the model so we just recommend that we not that we just leave them out. Transfer students are a significant issue we just have to figure out how to do a better job addressing those and that is something that we are still going to do.”

Dr. Berman said, “Now when we say leave them out, I mean when they graduate they are not left out, when they are in a bachelor’s degree or a master’s degree they are not left out. It just has to do with whether they are included in the graduation rate calculation in some particular way. Transfer students definitely have to be.”

Ms. Bassett said, “And am I correct? I am trying to remember back, is that something that will be looked at with the community college metrics because there is a larger number?”

Dr. Hunter-Anderson said, “Are you talking about transfer students or part-time students? Yes we calculate those into our FTE.”

Ms. Bassett said, “Okay, thank you.”

Dr. Phillips said, “Alright. Are there other high value degrees and programs that we want to add in addition to the STEM designated degree program list from Homeland Security or CIP Code 51 which are the healthcare health professionals and related programs? There are other programs that could be added to the list, that we could add to the list. A number of them that were recommended were actually in the behavioral or health nutrition related fields. At that point you start to get into a gray area, is it, is it not, how do you define it and so when you start to

move away from clearly defined criteria it becomes much more subjective which is something we want to try to avoid. So the consensus was that the current list of the Homeland Security and CIP 51 capture by and large the majority of the STEM programs that we want to capture and so we are planning to stick with that. That was what we determined. That seemed to work well for everyone.”

Ms. Haeffele said, “All for consideration for the next go around when this issue comes back up again, I think one of the, you raised the point of defining high value degrees and that really does need to maybe be some sort empirical definition of what it means to be high value. So just to give a brief of example: I have a high school daughter and we were doing some career exploration on the internet, blah blah blah, came across the website salary.com and they do all kinds of analysis based on salary data and it turns out that the bachelor’s degree most likely to lead directly to employment after graduation is English. That seems shocking but and then as a matter of fact I brought that up in another meeting and three of the people at the table who were working in the [inaudible] all have English degrees. So it just seems like there needs to be some sort of data analysis to say what does it mean to be a high value degree and then put the list together.”

Dr. Phillips said, “I agree. STEM is in there because we were specifically directed to look at STEM programs and these other specific subcategories. I would probably recommend that once we get the model to where we can lock it in that we identify the next iteration of things we want to do and do the analysis and research and make sure we, there are other, like I said, we have had discussion business programs. There are certainly other programs that we might want to consider as providing incentives for the institutions to help get students in and through those programs, but that is a whole another discussion.”

Dr. Berman said, “And Lynne you are right to point us back in that direction – what do we mean. I had always assumed that it had to do with some either empirical information or assumptions about value to the economy of the State of Illinois, but that should be examined.”

Dr. Karnes said, “You know the Illinois Department of Employment Security, I think it is, they put out projections every year for each career category and some of them have very high growth rates.”

Ms. Haeffele said, “STEM seems like a no brainer but you are not going to get a job with a bachelor’s degree in biology. You are going to need a master’s degree or a doctorate to get a job in biology. And so, either there are those nuances as well. So you are right the data are probably there.”

Dr. Hunter-Anderson said, “Even those employment projections change over time. So I mean, I think the point is kind of getting back to a point Lynne made earlier, we have to come up with a model and the program list is going to change over time, but not necessarily the strategy.”

Mr. Franklin said, “If we look back at the *Public Agenda* it is not actually about high value degrees, it is about areas of shortage and the *Public Agenda* also talks about the research infrastructure in the State and so STEM and healthcare are related to both of those areas. And

then also we want to look at the fact too that the schools are getting their performance values based on the number of degrees they produce and it is a lot cheaper to produce an English degree than it is to produce a STEM or a medicine degree. So that is another reason why we want to make sure that we incentivize those programs especially.”

Dr. Berman said, “Good, Doug, good points.”

Mr. Frank said, “But you know, I mean, you have got to think, and this goes back to the point that Abbas made about the capacity schools have and then the employability of graduates. Right, I mean, if we sort of push schools into producing a bunch of STEM degrees, I looked yesterday, in fact there is an Illinois Technology Index, it comes out of the Department of Economic Opportunity and I was amazed at when they looked at last year, they looked at a bunch of STEM degrees and jobs and only computer programming degrees grew in the number of jobs. All of the engineering and other science fields reduced the number of jobs in the state. It makes me wonder if we are headed in the right direction by encouraging schools to produce graduates in those fields. Now, I understand locking the model in and perfecting what we got, but I agree with Lynne at some point we have got to figure out what the economy is doing and not push schools in the wrong direction.”

Dr. Phillips said, “I agree completely. As you see the subcategories, the only one that is in there is STEM and that is only because we were directed. I will say that as we go forward just based on this discussion we need to have a deliberate discussion so we can work through some of these because they do change, there are different ways to look at this and so we do need to be deliberate in how we do that and that is probably going to take some time.”

Mr. Frank said, “And the challenge is how do you figure out with a kid coming in and he is four or five years from completing that bachelor’s.”

Dr. Hunter-Anderson said, “Exactly.”

Dr. Phillips said, “The crystal ball.”

Dr. Karnes said, “I do think STEM is defensible though. If you look at Illinois in the future, 20 years in the future we need those STEM graduates just to keep up in the job markets.”

Ms. Haefele said, “I do not think anybody would suggest taking STEM off the table, but it just seems like it might be a lot broader than that.”

Dr. Karnes said, “I agree.”

Dr. Phillips said, “And as you can see this has come up in discussion. I mean this is one of the issues and we will probably continue to discuss it, but basically at this point in time with all the other challenges we felt that we would probably set that one back and deal with it at a later date.”

Dr. Aminmansour said, “I was going to make this comment later on but it may be appropriate to do it now. I think if you look at it in a little broader sense the key phrase in performance funding is student success and how do we define that success. What is our view of success? Is it, we have been focusing a lot on numbers, degrees granted, dollar per credit hour and things, I do not question that that is legitimate. But, we also need to look at what else is included in success. Quality, for example of education is something that we really need to pay attention to. I do not know if we have any metrics that addresses quality. If I graduate from university or institution A and I am in high demand in my field as opposed to institution B and it takes me two years to find any job. How do we measure that? What if a student gets a bachelor’s degree and immediately goes to get a master’s degree and Ph.D. versus some other criteria. The dollar amounts, the economic aspects, it is a lot more complex and I hope that at some point we pay attention to that because it is not only about numbers and dollars and cost per credit hours and how many years it takes a student to finish a degree and all of this. If you truly want to treat our institutions as educational institutions that would help the future of not only the state but the nation and the globe we really need to look beyond these numbers in terms of what is considered as success which is the key.”

Dr. Phillips said, “I agree completely. One of the, probably the Holy Grail is what you really want is one of your graduates to be employed in a job for which they received an education. We are trying to get there and figure that all out and that is part of the effort with ILDS is to track P-20 into the workforce – cradle to grave. That is where we want to get to. Once again, the challenge of quality is it tends to be much more subjective and...”

Dr. Aminmansour said, “Correct but we need to start to thinking about it. We need to start the discussion now because all the discussions we have had about all the metrics and everything I agree with. We need to have these, but we are educational institutions. Our success in my view should not be strictly number of degrees we offer in all this, but it also should be what happens to those graduates afterwards. Do they get advanced degrees? Do they become leaders in their fields or not? I know it is very difficult to quantify those things but we need to start looking at those aspects.”

Dr. Phillips said, “We will add that to the list of issues that we need to address.”

Dr. Pierre said, “In fact, some of these numbers are available. I do not know how accurate they are but I know we do use for example the percentage of our graduates who find employment. We do know the percentage of them who are unemployed one year after. The percentage of them going to graduate school and there are some comparables for that. We do have some of these numbers. We do not know exactly who become leaders in their fields. That is much harder to get that. Some of the basics we do have access to that.”

Dr. Phillips said, “We will add this to the agenda for the next Refinement Committee. One of the challenges we ran into early when looking at quality, is you cannot just pick one or two quality measures, you have to basically look at a wide range and figure out how, what data points you are going to pick to assess because you cannot just pick one or two because that does not necessarily reflect. That is like performance that does not necessarily reflect the totality of all of the institutions. How do you do that in a reasonable way?”

Dr. Aminmansour said, “The reason I raised the issue because the quality issues has come up in the past and I do not quite see it on our radar right now frankly in the Refinement Committee. I mean it is not explicitly or directly one of the major agenda items that they have been discussing. I looked through the rest of your slides and I appreciate all of the points that are being considered, but I urge the Refinement Committee to put this in my view at the top of their agenda. We may not have a solution next year, we may not have metrics, but we need to start thinking in that direction.”

Dr. Phillips said, “You are current, it should have been one of the issues that we put on the list and so we will add that to the agenda for the next meeting. You are exactly right, it is something at some point we need to figure out how to address and incorporate in performance because it is...”

Dr. Aminmansour said, “Thank you. Because if you look at success until when people get their degree and mostly bachelor’s degrees, we are looking at it in a shortsighted way and I do not mean to be rude but it is.”

Dr. Karnes said, “But let us look at average class size.”

Dr. Aminmansour said, “I am just saying that we need to start that discussion. That is all I am saying. I am not suggesting anything that we should consider as a metric but we need to start looking at that aspect because the word, the key phrase in one of your earlier slides referring to legislation was ‘student success’ and what do we, how we define that success. Is it getting a degree? Is it getting a degree in as short a time as possible?”

Dr. Karnes said, “I think you need to suggest a measure as well though, not just ask for a measure but suggest one or suggest a couple that then can be tested and examined, but you know, you cannot.”

Dr. Phillips said, “We are going to have to have several. In the other states that have done this they have a range of things because once again, you cannot just pick one data point. You have to kind of like this we have several different measures with subcategories. Quality is kind of the same. You are going to have to look at quality in different ways once again to try to get your arms around what that means and how that impacts each of the institutions. But, you are exactly right we need to add it to the list and we will.”

Dr. Berman said, “I think you are pointing out that the issue needs study but it is a slippery kind of thing and there are philosophical implications too. This is the first cousin of the whole discussion about assessment of learning outcomes, and it is also related to the Lumina work on the degree qualifications profile. So we would have to acquaint ourselves with the thinking out there about what we are trying to achieve.”

Dr. Aminmansour said, “I have full trust that the Refinement Committee is very capable of examining the issues and bringing forward the good recommendations.”

Mr. Bergman said, “Well one thing I would be concerned about and I am in favor of the best quality education that you can, but if this going to be measured it needs, I do not know how to measure it because let us say that your institution Abbas, U of I at Champaign, wonderful place. Let us say that a student goes and gets a bachelor’s degree in accounting and we have another student that goes to one of the other institutions that does not have quite as high a reputation and also gets a bachelor’s degree in accounting. I would say more than likely the student that graduated from the U of I is going to be able to get a job more quickly and perhaps at a little higher pay on average than from one of the other institutions. Does that mean that the U of I gave him better instruction in accounting? Maybe, maybe not. I think that just the reputation of the institution is going to play a big part in that and I think we have to be very cognizant of that.”

Dr. Phillips said, “Well we will take a look at that.

“Next issue: are we giving enough priority to measures of efficiency? If you look at the model of the measures, roughly half are measures of efficiency which included undergraduate degrees per 100 FTEs, graduation rates per percentage of time, credit hour cost per completion. One of the questions was should they be given extra weighting? Should we add additional measures? The consensus of the Refinement Committee was that we should not, that this was sufficient in the model to address efficiency because it was looked at in a number of different ways and between those four measures that counted for a significant amount of the total performance value. Our other concern was that when we start adding additional measures, you start to dilute the existing measures. So was the consensus of the Refinement Committee that for now that we would not make any changes to the model or look at any additional efficiency measures that four of the measures specifically addressed efficiency or some aspect of efficiency and we felt that was sufficient.

“What is the best way to account for a high cost entities? We all agree that they need to be accounted for in some way. We also agree that the current methodology is maybe a bit too simplistic and does not adequately account for the costs in an equitable way. One of the suggestions was that we do a complete carve out. In other words we take the total amount allocated to those institutions or in the case, I will just use the UIC hospital, we take their total amount of funding, we take it off of the top of their appropriation and that not count in the performance funding model. One of the concerns is that we do not control appropriations so we do not want have to deal with okay we do not want you to include this amount in performance funding because we set it aside. It just gets very complicated when you are dealing with the legislature and how they allocate funds. In our view it makes much more sense to somehow incorporate that in the model. Now one of the problems is if you do a carve-out there are some benefits to those institutions. While the numbers may not be great you still have graduates out of medical programs. You still have public service. Actually in the model the institutions are rewarded for the amount of funds spent on public service. So even though a hospital may not produce a number of graduates, UIC gets a significant amount of credit because that is a large number in their public service measure. So what we have agreed to do is we agreed that the current methodology is probably not adequate. To do a complete carve-out may create other problems that we would then have to figure out how to address and that we still need to work on this one some more and figure out a way to incorporate this into the model and we have not yet

done that. So the point here is that we agree that this needs more work. We are planning to do that. I have had discussions with Dr. Karnes and so we are going to take another look at coming up with a better way to do that that is more equitable.”

Dr. Karnes said, “Did you look at that spreadsheet I sent you yesterday.”

Dr. Phillips said, “I glanced at it. I did not have a chance to get into it.”

Dr. Karnes said, “It works. The method works and all you have to do is switch the order just a little bit and you can make it fall out exact.”

Dr. Phillips said, “We will, like I said, we will certainly take a look at that.

“The intent here, once again, is to be equitable across the institutions. If you do a carve-out and some institutions benefit because some of that is not being counted, that puts institutions without those entities at a disadvantage so we have to look at it across all the institutions. Bottom line is we need some more work on this and so we will continue to work on this.

“Are we adequately accounting for institutional improvements from year to year? One of the issues that came up was, and this kind of falls under institutions being measured against themselves. Looking at the numbers, each institution every single institution actually improved their performance value from last year to this year. There has been some discussion that each institution be measured against itself. The problem is that the model is still in flux. If you try to measure from year to year, you are not measuring the same things as we make adjustments to the model. In the future they could be compared against their previous performance and then the way that would work is that if some improved more from year to year they might get additional funding as opposed to some of the others. You still have the same issue of when you have one pot of money you have to allocate it based on performance in some way. Some would get more. Some would get less. The scores for each measure can be compared from year to year and we provide that to the institutions. So you can tell whether or not you are improving from year to year based on each individual measure. Our thought is that we should probably not change the model at this time. This could apply large changes to the model. Once we get to a point where we can lock in the model where we are consistent in terms of what is being measured from year to year, then that would be the point in time when we could take a look at specific improvements from year to year.”

Mr. Frank said, “So and I guess this kind of goes back to a summary slide that you had earlier too Al. So everybody does better this year than last year. So the difference that ran from like minus .2 to plus .2 is the difference in the degree of improvement?”

Dr. Phillips said, “Some did more better than others because it is still all relative.”

Mr. Frank said, “Yeah, right.”

Dr. Phillips said, "It is all relative. The same thing happens with community colleges. I have seen community colleges that improve their enrollment numbers and lost money because everybody else improved their enrollment numbers more."

Mr. Frank said, "We are kind of back into that ugly thing with no new money that this is just a different way to defund education."

Dr. Phillips said, "I had this discussion with one of the presidents who, you end up back at the same place. You can do this different ways but at the end of the day if you only have one pot of money and it is not additional money then you are taking away and you are giving back, but performance means everybody cannot get back more and performance means some will do better and some will do less better and so that is the challenge that we have. No matter how you do, this is a dynamic model, so it is all linked. Even if you did it separately, you still have to allocate amongst the institutions and you end up back at the same point. Some would do better. Some would do less and the money would be allocated proportionately."

Dr. Berman said, "And it is also interesting to think about the word 'better' in this context. We were talking about it before, but 'better' here is their score, their performance value and so we could say that compared to last year all the institutions had higher performance value but there was a little spread and out of that spread comes the allocation of the performance funding."

Mr. Frank said, "But it just seems so antithetical to the sort of philosophical underpinnings of performance funding to continue to do it with a shrinking pot of money. I mean it sort of hurts my head to think about it. That is just a personal; it has nothing to do with the model. It is just my bitch."

Dr. Phillips said, "That is actually one of the falsies of performance funding and from an institutional perspective you have a lot of institutions doing everything they possibly can to improve the performance and a lot of the regional institutions basically have what you have. I mean they are doing everything they can. They are doing great things. They are improving their performance and they lose money because that is the nature of performance funding."

Dr. Hunter-Anderson said, "Isn't that why we have seen some states abandon it altogether because there was not an either an infusion of new money or a significant enough infusion to really warrant the analysis?"

Mr. Bergman said, "I would like to make a comment just looking up here and this is something I was going to say at the end of the meeting but it looks like the topic is here. There has been some discussion that each institution should be measured against itself. Keep in mind I am business man. You folks are all academics. I think that is a far better way to do things. I am familiar to an extent with all twelve of our primary campuses of our public universities. Some of them are much better in many things than others but probably every university, every each one of our campuses could be better in some things, in other things maybe not. Let us take a look at say like graduation rates okay. We look at Champaign. We look at ISU here in town. I believe that those are the two campuses that have the highest graduation rates in the state. To incent them to

increase their graduation rates I do not think will make sense. However, if we take a look at some of our other universities where maybe the graduation rates are in the 30s and in the 40s to incent them to increase their own graduation rates, to me make sense. If it was 40 percent last year and in a couple of years you can get it to 42 percent or 43 percent, 44 percent you should get more money for it. Retention rates – same type of a thing. I think if this were a dictatorship and I were the dictator I think what I would say is let us take a look at all twelve of our campuses and let us see where each one of them can do better, can realistically do better and then let us set up a program for each of these twelve campuses. Which is of course separate for each, different for each that would say alright if you do this better we will give you more money. That is the way I would do it.”

Dr. Berman said, “Absolutely inspiring. Right?”

Dr. Hunter-Anderson said, “Which is exactly what the conclusion we drew when we looked at it through the community college system. We decided that it was best to ask each of the institutions to compete against their own baselines.”

Dr. Pierre said, “Do we have the individual scores on the measures?”

Dr. Phillips said, “I do not think I have the actual scores in the presentation.”

Dr. Pierre said, “Are the institutions given these scores?”

Dr. Phillips said, “Refinement issues: do we change the measures subcategories? Grad rate, these are two of the measures and the credit hour accumulation that were issues last year. Do we add to the subcategories? Remediation measure came up in this discussion.

“Do we change the sources of data? What we decided was in the Refinement Committee that to simplify the model we would eliminate the 100 percent of time and 200 percent of time and just go with the one measure of 150 percent of the time and we would incorporate transfer students into that measure probably using the CCA definitions. Once again we have not taken a look at actually how that would work and we would do that and we may have to go back and relook at that.

“In terms of the credit hour measure, rather than go 24, 48, 72, to simplify the model we are just going to use the 24 semester hour figure and once again look at incorporating transfer students. However also in this measure, one of the things we did say is that in the current environment you have many students who are taking credits at other institutions while they are at any given institution and those credits should count as well towards that 24. So we are looking at that.

“We decided not to add any additional subcategories. We are going to continue to use the existing data sources. It may be a year or two before ILDS is where we can use it and those sources are IPEDS, we are continuing to work with the institutions on what data we will actually obtain from them, use CCA data and cost study data.

“So of the steps we are taking a look at the measures, we are looking at which data we collect, we are looking at the weighting for the subcategories, we have decided not change the process the scaling process, we are taking a look at the high cost entities. So, in a number of the areas in the model we are going back and relooking at specific issues, specific measures and how better that we can do this as we have already discussed.

“For FY2015, which you can see, this is kind of where we are at this point. Most of the measures are the same. The graduation rate and the persistence or credit hour rate we are going to need to look at in more detail. All the others would stay the same and the subcategories would stay the same. Once again the issues we have yet to resolve: whether or not to carry the weighted subcategories all the way through the model, we have to develop a better methodology to account for high cost entities and we are continuing to work with the institutions to improve the quality of the available data.

“Next steps: a Steering Committee meeting today, our Board meeting meets on the 4th of June, our next Refinement Committee is the 27th and the next Steering Committee meeting is the 17th of July. We have a number of meetings scheduled roughly every two months. Hopefully we can narrow down the issues, resolve the remaining issues and have this done well in advance of next year’s budget process.”

Performance Funding Recommendations Discussion

Dr. Harry Berman said, “Karen we have our community college colleagues here and we have Michael on the phone and you have mentioned and alluded to the fact that there is a different approach on the community college side. Did you want to say anything else about that? In previous performance funding committees we have gone through that approach but I just wondered if you just might want to say something.”

Dr. Karen Hunter-Anderson said, “I will ask both of the presidents here to chime in but I think what we did when we took this we took just a few things. One, we took the concept of simple is better very seriously and so we limited greatly the number of performance measures we would use. We looked at advancement rates as a general rule because we wanted to not just look at completion because of the whole issue of transfer of transitions, significant transitions like transitioning from development Ed. for our adult Ed. students which are not the same as the adult student population you are referring to but those who are working towards a GED or a high diploma completion programs. For those students we looked at level gains specifically which again is another form of advancement.

“We looked at completing significant number of credit hours because as we know all of our students who transfer do not complete an associate’s degree. So we looked at advancement rates as opposed to completion rates. We also had a couple of philosophies that were key and that one was that we were going to encourage new money obviously rather than taking away from existing allocations and secondly that we would that the colleges would compete against their own baseline measures and their benchmarks rather than to compete one against another. Because, when you are looking, I completely agree with Jay’s comments when you multiply that

by four and you are looking at 48 community colleges, it seemed unjust to measure Shawnee against the performance of College of DuPage. I invite you two to add anything else.”

President Gayle Saunders said, “I do not have the model sitting in front of me but we had 100 percent consensus among the community college presidents as well as the trustees association and among all of you Performance Steering Committee that we were on the right track with the performance indicators that we had identified. They are also in alignment with the national standards that are being pronounced now through the College Completion Agenda as well as through the Voluntary Framework for Accountability that the community colleges across the country are going to be aligning with and we were trying to keep all of these different things and we are going to start measuring similar so that we are not measuring different things for different opportunities. So trying to keep our performance funding initiatives with what the State of Illinois in alignment with those things that we are going to be compiling for other reasons as well seems to make a lot of sense to us.”

Dr. Berman said, “So Karen was there additional funding that was put towards this or did you also have to do a set aside?”

Dr. Hunter-Anderson said, “We do have additional funding but it is, at this point, it is so minimal I think for this year it was \$360,000 for the system for 48 colleges which is so minimal that it really as we go through evaluate, we are in the process of doing similar things at our internally as the Refinement Committee is doing and as we are looking at the measures and we are looking at the changes that have been made and the winners and losers so to speak and the gains that the colleges make it is so hard so difficult based on those small number of dollars and those measures to really see effectively, to be able to ascertain whether the impact is effective or not. At this point we are taking it one year at a time. I think everybody is still fairly satisfied with the method and the performance measures we came up with. Again, if we get through whatever means if we get some more significant dollars infused into our performance funding then we will probably look at it a little differently.”

Dr. Berman said, “Thank you. I appreciate that.”

President Thomas Choice said, “Can I just make one comment as well? One of the things that we still struggled with is a point that you addressed which is we are trying to help students be successful and for many of the students who come to community college their intent is not to complete an associate in arts degree. Their intent is complete a bachelor’s degree and so when we help them successfully transfer and articulate to a university and take all those credits with them and successfully and very smoothly transition, but they do not get an associate’s degree, that is a failure for us in the eyes of performance based funding. Yet, I have to go back to the faculty and talk to them and say that we did exactly what that student wanted us to do which was help prepare them to transfer into a bachelor’s degree program, their intent was never to get an associate’s degree. Once they get a bachelor’s degree they have achieved their goal and yet that student for us is a failure and so we are incented to figure out a way to keep that student from his goal or her goal longer so that they can complete an associate’s degree so that we can count them as a success and hold them back from what they truly wanted to do which was to complete

essentially the general education core and move successfully onto a university. We still struggle with that a bit.”

Dr. Berman said, “Understandably enough.”

Dr. Hunter-Anderson said, “That is why we considered advancement rates as opposed to completion rates when we looked at. You are absolutely right.”

Dr. Berman said, “Any other comments for this morning.”

Ms. Bassett said, “This Meegan Bassett from Women Employed, I just wanted to say that I think that IBHE did great job with their performance indicators. I think there is one that we were a little iffy on but overall I feel like they really got the spirit of a lot of the research out there that shows that if students get to a certain point that they are more likely to complete or transfer. So I think they did a really good job and I just reiterate that I think Women Employed is completely onboard with the rest of the group in feeling that performance funding really needs more funding that it is an essential component and this system just is not complete without additional funding added to the current funding. I just wanted to let you guys know that we are definitely onboard with you guys and completely supportive of that.”

Dr. Berman said, “Thank you Meegan. We appreciate that. Go ahead Jay.”

Mr. Bergman said, “Just a couple of things. I sit back here and I look and I think we are looking at all the raindrops and ignoring the storm. There are, you know we are talking about trying to keep the formula simple or simpler or as simple as possible. What we are really saying is that we are trying to keep a complex formula from becoming even more complex but there are so many metrics and so many items that in reality whether we are using our one-half a percent now or we are using some hope for future increases which I do not think are going to be great when they do come. We have so many different parameters that nothing is going to mean a lot in terms of dollars. There may be a simpler way to do this. There may not be. The point I want to make is that several years ago when this performance funding thing first came up we looked at what other states were doing. That was several years ago. I think we have time now, you know our recommendations do not have to be to the Board of Higher Education until at least December. I think in addition to proceeding in the manner that we are talking about we should get somebody to come in here and we should look at what other states are doing because we might find there is a simpler way to do this and to where the items that we are utilizing for funding to measure or what we are measuring for increased funding might actually make a difference because it is a simpler way and there are fewer of them. I think we should, I would like to suggest that we look at what other states are doing while we proceed along the path that we are.

“The other thing that I would say is that we have a lot of challenges to higher education in Illinois. In my mind the biggest challenge is the decline in state funding. We cannot make the legislature give us more money but what I would look at is dramatically increasing the weighting of what I would call economic efficiency in our formula. We are talking about cost per credit hour, cost per completion, cost per this, cost per that. I would look at maybe even making it 25

to 33, one-quarter to one-third of the overall formula. I think we have anywhere from one-half a percent to a percent and one-half now and then it is further modified by the subcategories. It is nothing. It is insignificant. That is our biggest challenge is making up for state funding and the more economic that our campuses can be without losing the qualities of the high quality education that they have the better off, it is a win/win situation. Those are my comments.”

Dr. Berman said, “Thank you. Anything else for right now?”

Adjournment

Dr. Berman said, “Thank you all very much. Appreciate your comments very much. So we will be meeting again as a Steering Committee on July 10. Cindy, do you know where?”

Ms. Cindy Deitsch said, “It is at the University of Illinois at Chicago and it is July 17.”

Dr. Berman said, “People on the telephone thank you for joining us. Thanks to everybody else.”