



**BOARD OF
REGENTS**
STATE OF IOWA

**PRESENTATION TO THE
LEGISLATIVE FISCAL
COMMITTEE ON THE REGENTS'
PERFORMANCE-BASED FUNDING
MODEL**

October 20, 2014

Task Force Members

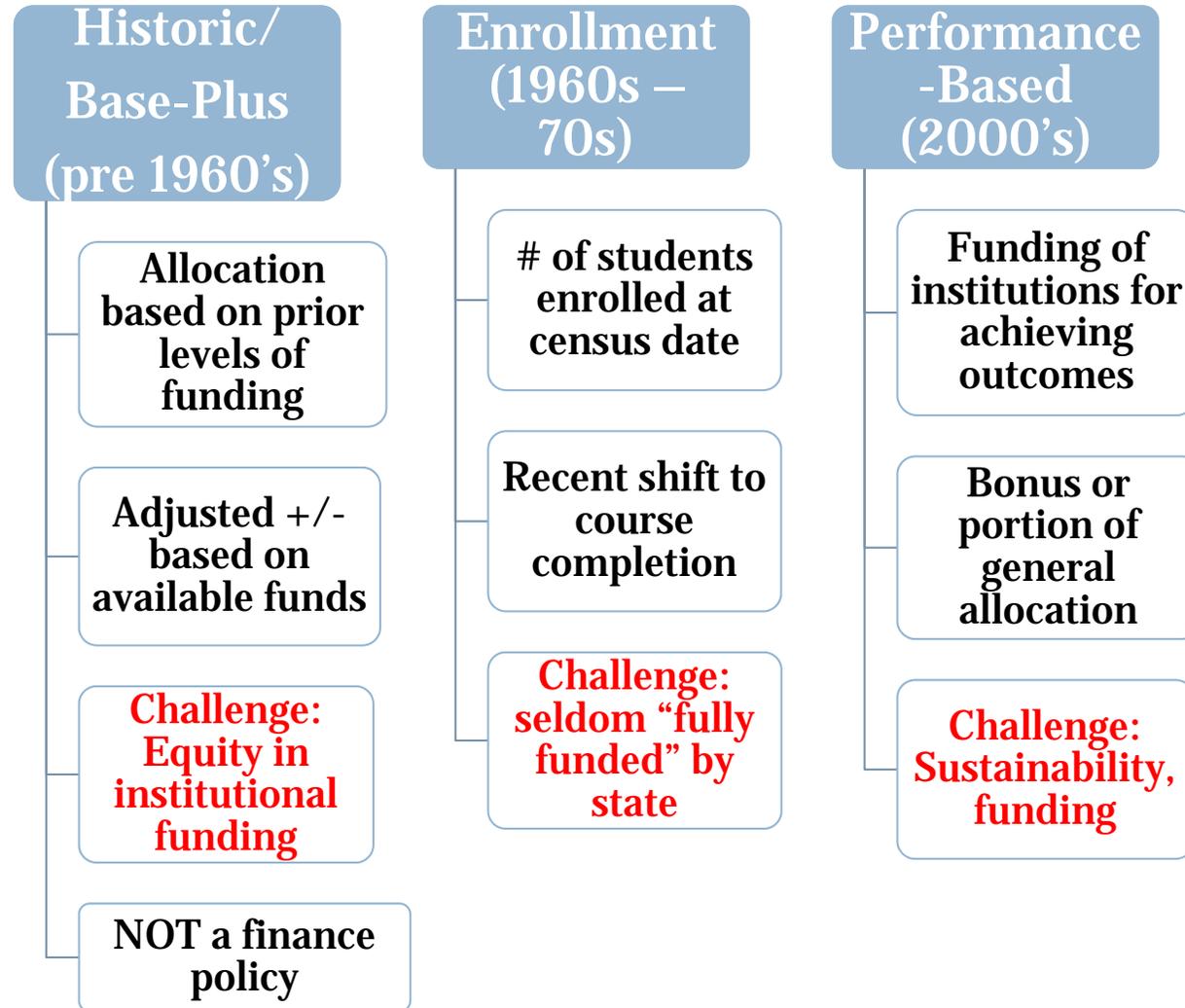
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- David Miles, Chair
- Katie Mulholland, Board of Regents President Pro Tem;
- Len Hadley, retired CEO of the Maytag Corporation;
- Cara Heiden, retired co-president of Wells Fargo Home Mortgage; and
- Mark Oman, retired Senior Executive Vice President of Wells Fargo and Company and Vice Chair of the Board of Trustees of the UNI Foundation

Why Performance-based Funding?

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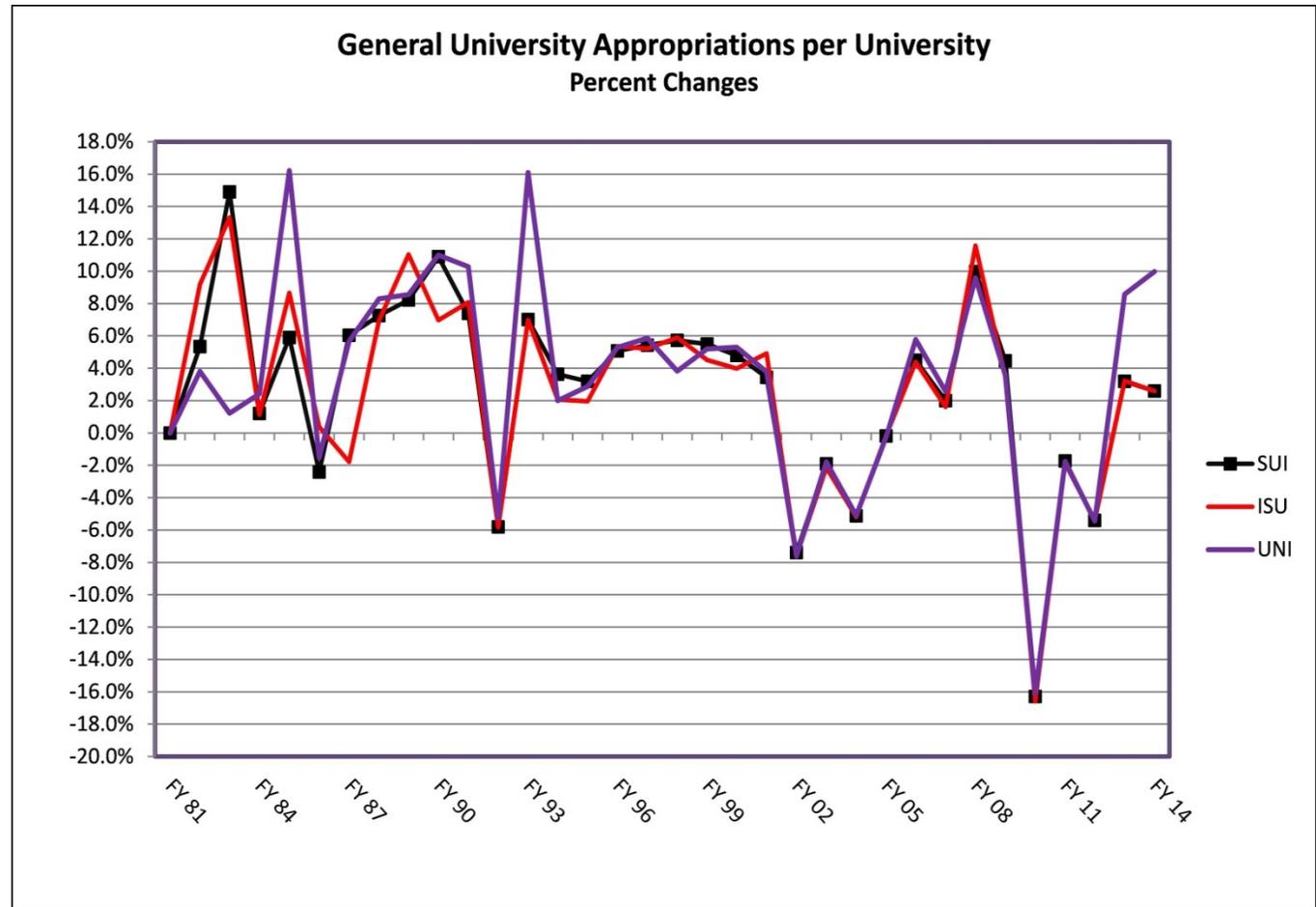
There have been three basic approaches to funding Public Higher Education



Historical State Funding for Higher Education

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Iowa's approach is essentially unchanged since the mid-1940's



Headcount Enrollment Fall 1981 to Fall 2013

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But enrollment patterns on our campuses have changed.

SUI Headcount Enrollment

	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	14,258	4,398	2,171	1,188	2,813	1,637	19,242	7,223
Fall 2013	12,012	9,962	1,238	1,146	2,789	2,930	16,039	14,038
Change	-2,246	5,564	-933	-42	-24	1,293	-3,203	6,815

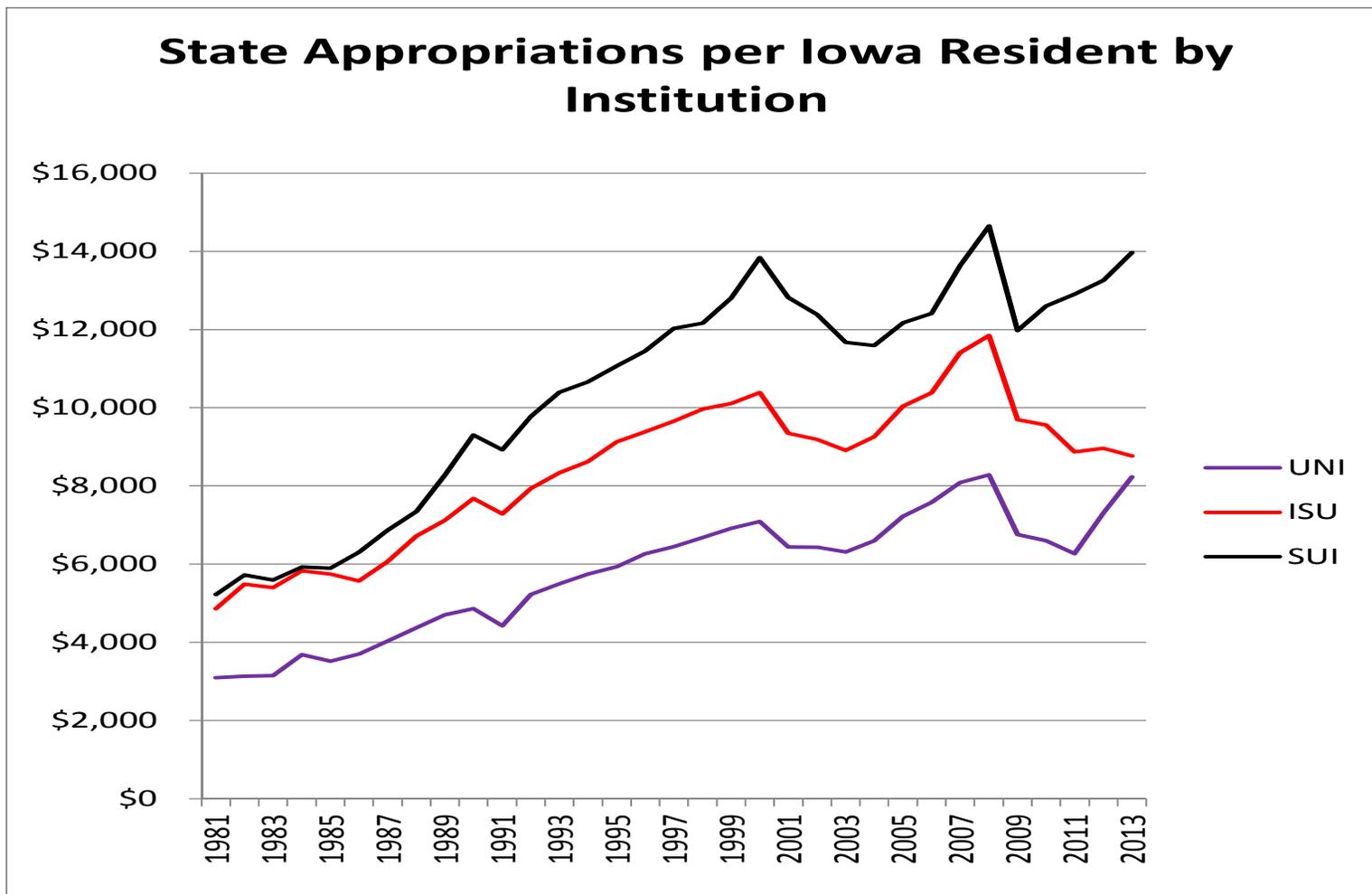
ISU Headcount Enrollment

	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	15,622	4,697	984	719	1,003	1,177	17,609	6,593
Fall 2013	18,009	9,650	1,178	1,444	663	2,011	19,850	13,105
Change	2,387	4,953	194	725	-340	834	2,241	6,512

UNI Headcount Enrollment

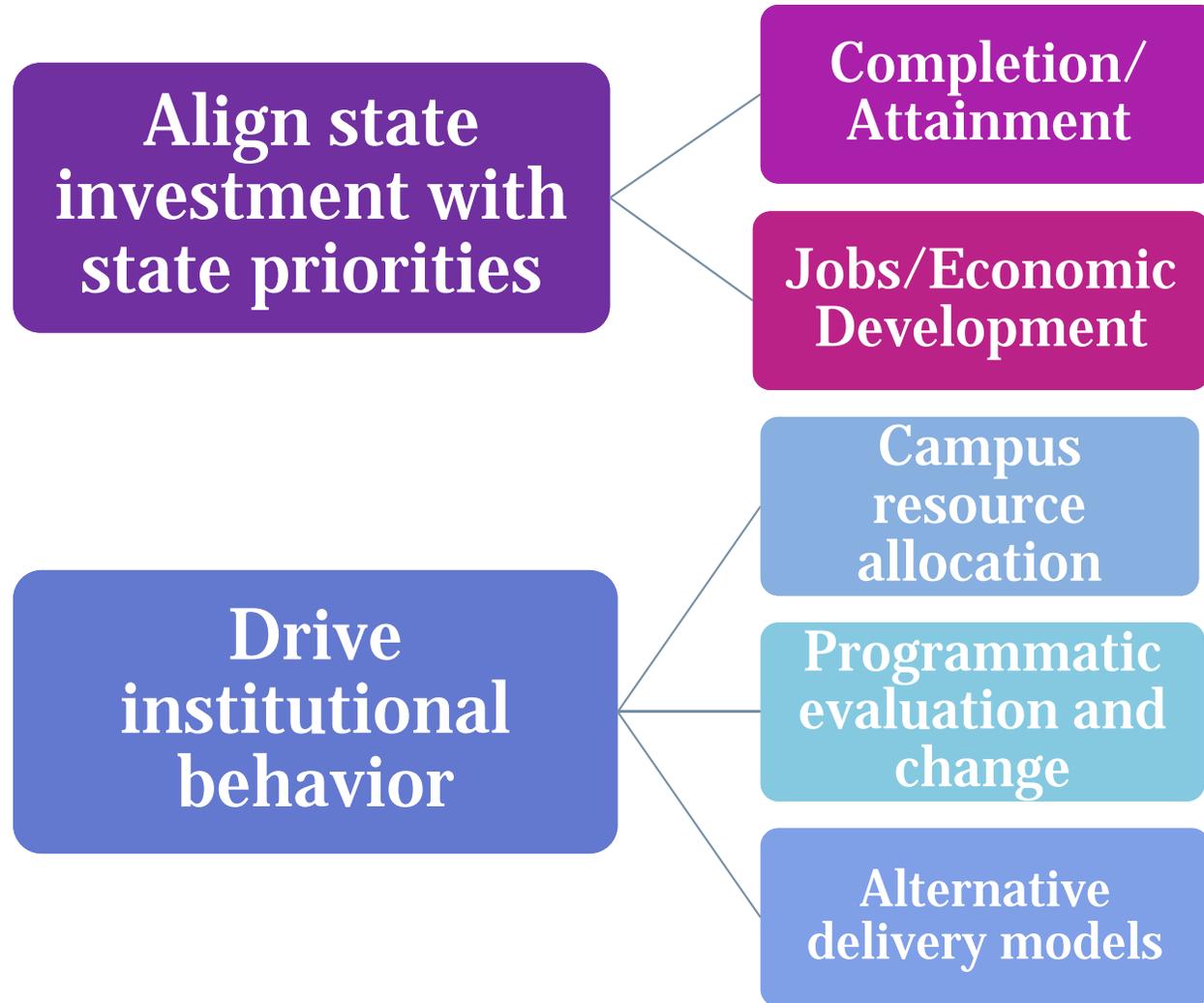
	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	9,429	308	821	51	330	15	10,580	374
Fall 2013	9,411	969	1,015	268	416	80	10,842	1,317
Change	-18	661	194	217	86	65	262	943

Appropriations by University



Policy Rationale for Performance-based Funding

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PREMISES

Metrics used must be:

- Equitable and recognize the unique missions of the public universities
- Fact-based. They must be carefully defined, transparent, measurable and auditable for consistency in approach
- Linked to the Board of Regents Strategic Plan
- Reliable and predictable for current and future calculation
- Focused on a combination of enrollment and outcomes

PREMISES

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Choosing the right metrics will:

- Connect state appropriations directly to educating Iowa students
- Demonstrate accountability to the Governor, legislators and the citizens of Iowa
- Reward the public universities for Regent-directed achievements
- Make the annual appropriation process a more effective tool for the Regents

RECOMMENDATIONS

1. Acknowledge that the Regent's "base-plus" funding model has failed to keep pace with changing higher education realities and priorities, and needs to be replaced with a more flexible system linking appropriation requests to the priorities of today and tomorrow.
2. Premise future funding requests on the principle that the highest priority for state appropriations is to defray a portion of the costs of higher education so that Iowa students have affordable access to a quality higher education.

RECOMMENDATIONS

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3. Adopt a Performance-based Funding (“PBF”) methodology that:
 - ▣ Provides essential funding to educate Iowa students;
 - ▣ Supports the unique missions of each institution; and
 - ▣ Incentivizes the institutions to align their activities with the priorities of the State and the Board, and rewards them for accomplishing those objectives.

RECOMMENDATIONS

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4. Adopt the following metrics to determine the annual GEF appropriations request to the Governor and the Legislature:

60% ENROLLMENT

15% PROGRESS AND ATTAINMENT

- 5% Student Credit Hours
- 10% Degrees Awarded

10% ACCESS

5% JOB PLACEMENT/CONTINUATION OF ADVANCED EDUCATION IN IOWA

10% REGENT OR UNIVERSITY SELECTED

- 5% Sponsored Research
- 5% Regent Customized Metrics

100%

Metrics based on Iowa residents, except for Job Placement or Continuation of Higher Education in Iowa – that will include all students

RECOMMENDATIONS

5. Implementation should move forward carefully – continuing to provide essential support to all three universities. We recommend the following transition measures:
 - The recommendations of the Performance-Based Funding Task Force should be implemented beginning in Fiscal Year 2016.
 - **Between now and October, the Board should work with Board office staff and the institutions to work through the implementation details of this model to ensure that the metrics are correct and will lead to the intended outcomes.**
 - **Beginning now allows the institutions a full-year to prepare for any changes in funding brought about by the Board’s new funding methodology.**
 - **Each institution should be given the opportunity to present to the Board a plan for responding to the revised funding model.**

RECOMMENDATIONS

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5. (cont'd)

- **Implementation of these recommendations should be paid for through restoration of State funding to Iowa's public universities.**
 - The proposed PBF model creates a direct and transparent link between dollars invested by the State and achievement of the State's priorities. The improved educational outcomes generated by this new funding model merit additional State investment.
 - Despite considerable progress, State GEF funding in Fiscal Year 2013 remained \$98 million below Fiscal Year 2008 levels, meaning that all three institutions are already managing through significant funding reductions.
 - By funding the transition to PBF, the State can minimize any short-term disruptions caused by reallocations among the institutions, while sending a strong message of support to the Board of Regents for taking this much needed step.

Task Force Recommendations

- ▣ Transition to the new funding model over time – the Task Force suggests 2-4 years – keeping in mind the following:
 - Nothing in this report should be taken as a criticism of our outstanding universities, each of which is investing the State’s resources to provide a superior-quality education to their students, generate world-class research, and serve Iowans.
 - The model is intended to enhance the institutions over the wide arc of time, not to address near-term funding issues.
 - To the extent that the State provides less than full funding to implement PBF, any reallocations of funding from any university be capped at 1%-2% of the institution’s 2013 general education revenues per year.
 - Incremental funds will not accrue to a university whose funds are negatively reallocated until the percentages per university in the model are reached.
 - Concurrent with the implementation of PBF, we recommend that the Board actively explore the potential for differential resident-tuition among the institutions.

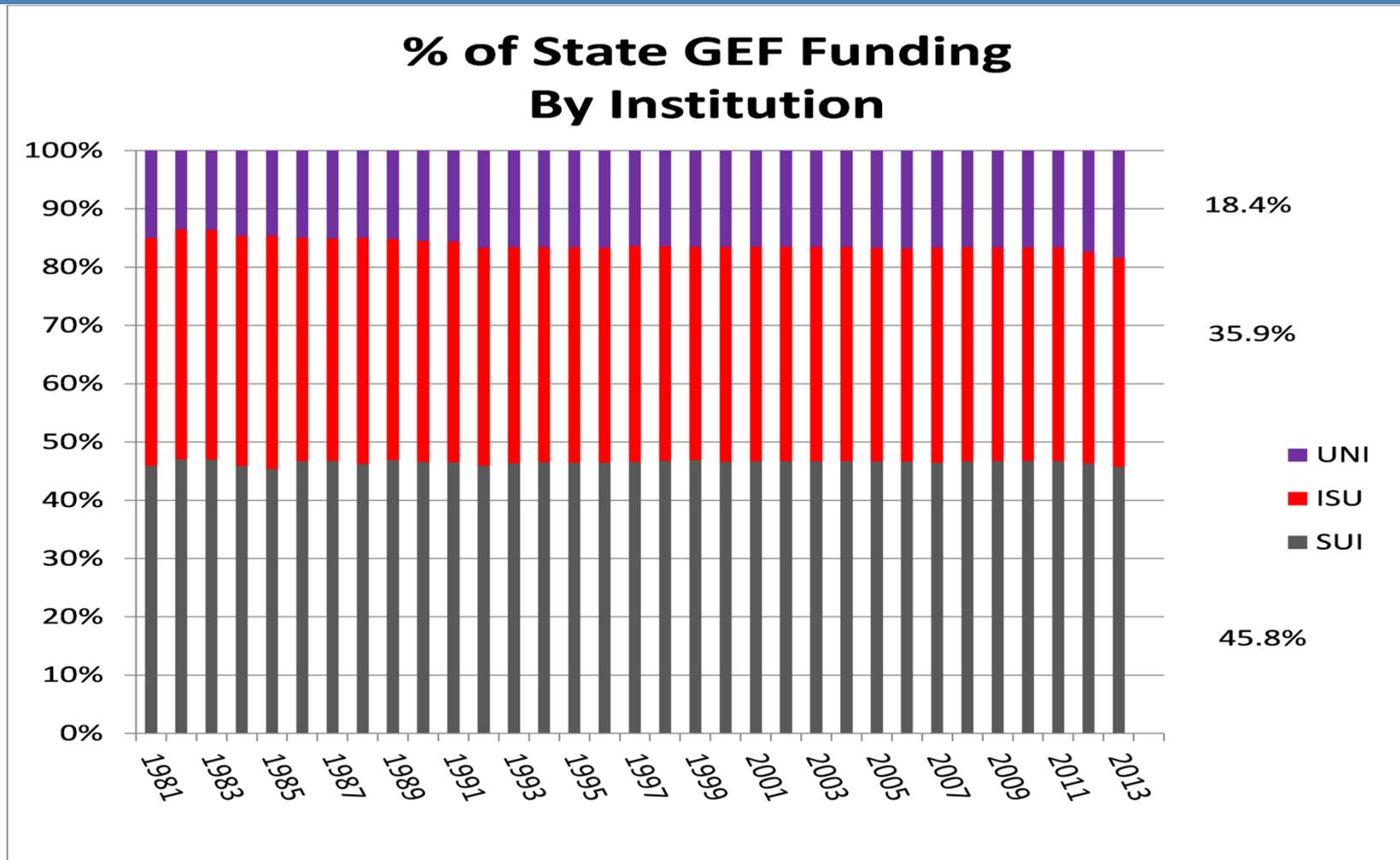
RECOMMENDATIONS

6. This move to PBF should be considered a first step. The Board should remain actively engaged to:
 - ▣ Revise the model based on experience;
 - ▣ Respond to any unintended consequences; and
 - ▣ Move a growing proportion of funding toward the achievement of desired outcomes.

Thank You

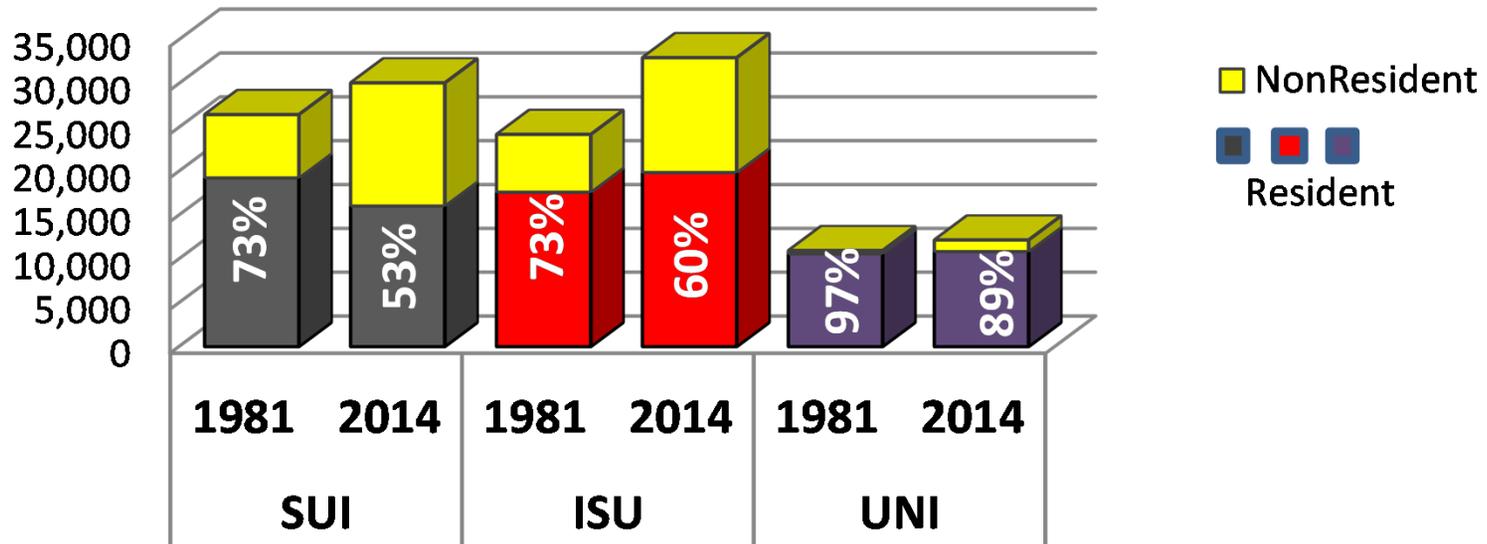
Historical State Funding by Public University

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Enrollment by University - 1981 to 2013

Proportion of Resident and Non-Resident Enrollment by University 1981 to 2014



Task Force Process Summary

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Step 1: Establish a framework

- ✓ Goals & Priorities
- ✓ Timeline for development & implementation
- ✓ Funding amounts

Step 2: Gather Data and Expert Testimony

Step 3: Review Concepts and Choose Initial Metrics

Step 4: Model various formula options

Step 5: Implementation/phase-in options

Step 6: Finalize recommendations

Step 7: Communicate to the Board of Regents

Six Public Meetings October 2013 thru May 2014

Suggested METRICS Definitions

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ENROLLMENT

- ▣ Resident Full-time Equivalent (FTE) Students
- ▣ Time period: 3 year rolling average

PROGRESS and ATTAINMENT

- ▣ Progress measured as achieving student credit hour thresholds of 24-48-72
- ▣ Attainment measured as number of degrees awarded at the Bachelor's, Master's and Doctoral/Professional level
- ▣ Time period: most current year

Suggested METRICS Definitions

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BOARD OF REGENTS SELECTED

- ▣ 5% on Sponsored Research
- ▣ 5% on metrics determined by the Board of Regents that respond to newly identified needs, or distinguish between public university missions, or challenge the institutions
- ▣ Time period: undetermined

Suggested METRICS Definitions

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ACCESS

- ❑ Low Income Students – measured by Pell Grant Recipients and Subsidized Stafford Loans
- ❑ Minority students as self-identified
- ❑ Transfer students from Iowa Community Colleges
- ❑ Veterans
- ❑ Count is duplicated; i.e. student may be identified in more than one category
- ❑ Time period: 3 year rolling average

Suggested METRICS Definitions

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JOB PLACEMENT/CONTINUATION OF ADVANCED EDUCATION IN IOWA

- ▣ Graduates who find employment or continue on to advanced degrees in the state of Iowa
- ▣ Suggested measurement is matching Social Security Numbers with Iowa Workforce Development data
- ▣ Time period: 1-5 years after graduation

Note: this data is not yet available