

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, Joint Budget Committee staff

SUBJECT: Update on Higher Education Performance Funding

DATE: January 28, 2014

On December 5, 2013 the Colorado Commission on Higher Education (CCHE) reviewed and approved plans regarding how performance funding structure authorized in S.B. 11-052 would be associated with institutional performance contracts. Because this submission was not publicly available prior to staff's higher education budget briefing, staff recommended that, once the plan was available:

“The Joint Budget Committee and the Education Committees should consider whether the proposed funding scheme appears likely to meet desired goals, request that the Department make changes if necessary, and consider changing the triggers so that implementation can begin as early as FY 2015-16.”

After reviewing this submission, staff has significant concerns about the Department's proposal. Staff is troubled by the large number of different metrics used: each institution is using metrics that are largely unique. As a result, **staff is dubious that the proposed performance system can provide a fair basis for comparing institutional performance or serve as a reasonable basis for funding.**

- Staff counts 71 discrete measures being used among 16 governing boards.
- CCHE offered 23 common indicators, but institutions could choose among them and were not required to use more than two (of their choice).
- Of measures in use, 52 are institution-developed. Some common indicators are only used by one governing board.

Essentially, each institution has been allowed to choose its own test. If the system is allowed to proceed as currently anticipated, each institution's performance on its individualized test will then be compared to the performance of other institutions on their individualized tests. Institutions that do better on their personalized test will receive a larger share of total performance funding than those that do worse. *Under this system, institutions may be rewarded primarily for their skills at selecting metrics.* Those that chose poorly will suffer; those that chose well will benefit.

Metric Example: The Colorado School of Mines will have at least 90 percent of bachelor degrees awarded in the Science, Technology, Math and Engineering areas. This represents 10 percent of its performance calculation. Is there any risk that it will fail this measure?

This approach is unique to Colorado, insofar as staff has been able to determine. Other states that have sought to implement performance funding have worked with institutions to identify a limited number of metrics (5-10) that apply to all institutions in a particular class (research, regional 4-year, 2 year). Although the weight of specific metrics may vary by institution and there is always some customization for differences across institutions, *no other state appears to have allowed each institution to pick all of its own metrics*.

The Department's submission (attached) diplomatically describes the challenges and opportunities of the new system as follows:

Challenges

- As currently envisioned, the potential amount of performance funding would be relatively low and raised the question whether the amount of funds will be incentive enough to create a long-term change in behavior.
- The balance mentioned above between flexibility (tailored metrics) and the need for meaningful statewide comparisons makes a very intricate and complicated allocation tool, which can be viewed as less transparent and difficult to explain to constituents.
- Defining measurements *consistently* is a challenge due to the high number of metrics and individual means of measuring the data. Completing a model that applies the measurements consistently is vital as consistent input is needed for fair outputs.
- There is potential for a perception of weak or insignificant performance contracts where governing boards vary significantly in setting goals and metrics.
- Funding levels adequate to trigger performance funding may not be realistic for several years.

Opportunities

- Many institutions have self-selected and weighted challenging, meaningful indicators that align with the primary goals of the Master Plan;
- The Master Plan and contracts were built collaboratively with institutional input at every stage of the process which is a necessary component for sustained success;
- This system and approach will generate years of meaningful, relevant measurement data that is not currently collected regardless of how quickly the State is able to return to performance funding levels;
- The current approach provides opportunity for the institutions to gauge performance against initially selected indicators and make any necessary or desired changes;
- Likewise, there is an opportunity for the CCHE to work with the governing boards and institutions to evaluate the performance contracts and indicators to ensure the optimal alignment with the goals of the Master Plan.

Staff is aware that there has been extensive work by Department and institutional staff on the performance contracts and metrics submitted thus far and that changing course at this time may be difficult. Nonetheless, in staff's opinion the approach will need to be substantially

changed if the General Assembly hopes to use this data to compare institutional performance or to provide a basis for funding the institutions.

Committee Options:

- The Committee should consider carrying legislation—or recommending legislation to the Education Committees—to modify S.B. 11-052. For example, statutory change could require CCHE, in consultation with the institutions and nationally-recognized experts, to develop a more limited collection of performance metrics (e.g., no more than 10) to be used for performance funding. Such legislation could require the Department to apply current best-practice principles in developing and implementing such a system, such as rewarding success in serving underrepresented populations and more effectively balancing the need for common measures with unique institutional characteristics (e.g., by allowing measures to be both common to institutions and differently weighted for different institutions.)

This would also provide an opportunity to require performance measures in areas of specific interest to Committee members (e.g., tuition levels, post-college employment, academic rigor), though staff would caution that some performance areas are very hard to measure and staff generally believes the number of measures should be reduced, rather than expanded.

- If the Committees are not interested in pursuing legislation at this time, staff recommends a letter be sent to CCHE, as well as the Education Committees, highlighting concerns and asking the Department to work with the National Center for Higher Education Management Statistics (NCHEMS; its current contractor) and the institutions to substantially narrow the number of indicators used for performance funding. The Committee should request a prompt response (so that it can decide whether to pursue legislation). If the Department is receptive to instituting changes, the Committee should request regular updates identifying the measures to be used, baseline data, etc.
- Because of staff's concerns about current metrics, the JBC and Education Committees should consider repealing those portions of statute that *require* a certain level of performance funding *and those that restrict the amounts*. Currently, statute requires that in FY 2016-17 or when institutional funding is restored to \$706 million (whichever is later) 25 percent of funding over \$650 million shall be directed to performance funding. This would amount to about \$14 million (at \$706 million) or about 2 percent of total funding. A strong performance system should direct a larger share of funding to performance; a weak one should not include any funding for this purposes. The General Assembly should restore its own flexibility in determining performance funding amounts.

Additional Background and Resources

Key Provisions of S.B. 11-052 (Section 23-1-108, C.R.S.):

- By Sept. 1, 2012: CCHE to submit higher education Master Plan

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- By Dec. 1, 2012: ensure Master Plan is implemented through renegotiated performance contracts with the institutions.
- By Dec. 1, 2013: create a performance-based funding plan to appropriate to each governing board a performance funding amount based on each institution's success in meeting performance contract goals. Recommend needed statutory changes.
- FY 2016-17: First year in which performance funding may implemented. Only occurs if governing board funding restored to at least \$706 million, in which case performance funding would be 25 percent of amount over \$650 million. If the Governor's FY 2014-15 budget request is approved, over \$103 million will still need to be added to hit the \$706 million trigger.

NCHEMS: The National Center for Higher Education Management Systems (NCHEMS), with which the State is currently contracting for assistance on this project, released a report with Complete College America in October 2013. It includes a list of seventeen design and implementation principles for performance systems and describes the status of efforts in other states. The majority of states are pursuing performance/outcomes-based funding to some degree. The entire report is relatively brief and can be reviewed at the attached link:

[http://www.insidehighered.com/sites/default/server_files/files/Outcomes-Based%20Funding%20Report%20\(Final\).pdf](http://www.insidehighered.com/sites/default/server_files/files/Outcomes-Based%20Funding%20Report%20(Final).pdf)

NCSL: The National Conference of State Legislatures (NCSL) provides a less-detailed overview of performance-based funding in the states with design recommendations.

<http://www.ncsl.org/research/education/performance-funding.aspx>

Staff Budget Briefing: The staff higher education budget briefing, dated December 3, 2013, http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2013-14/hedbrf.pdf

Includes additional background information, including:

- History of performance metrics in Colorado--the Quality Indicator System (H.B. 96-1219) and the performance measurement system (S.B. 04-189)—and responses to these systems.
- Description of the Tennessee system. Tennessee distributes almost all state higher education funding through a carefully designed outcomes-based system.



**RECOMMENDATION FOR A PERFORMANCE FUNDING
ALLOCATION PLAN TO THE JOINT EDUCATION
COMMITTEE**

DECEMBER 2013

1560 Broadway, Suite 1600 • Denver, Colorado 80204 • (303) 866-2723
LT. GOVERNOR JOSEPH GARCIA, EXECUTIVE DIRECTOR

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Introduction

Senate Bill 11-052, signed into law in May 2011, charges the Colorado Commission on Higher Education (CCHE) with preparing a statewide master plan, developing and executing revised performance contracts for all public colleges and universities in the state, and developing a performance funding system for higher education in Colorado. The Master plan, *Colorado Competes, a Completion Agenda for Higher Education*, was issued in October 2012. The plan identifies four goals that address areas of critical concern to the state: (1) increasing credential attainment; (2) improving student success; (3) reducing gaps; and (4) restoring fiscal balance. Performance contracts, negotiated with each public institution's governing board, lay out specific metrics against which each institution's performance toward meeting the goals is measured.

With the completion of the Master Plan and the performance contracts, the CCHE and institutions now have agreement on top priorities for the state for our system of public higher education. Beginning in 2016-17 and for each year that state funding for higher education is at or above \$706 million, 25 percent of the amount over \$650 million will be appropriated based on each institution's performance.

As part of the requirements of S.B. 11-052, the CCHE is charged with developing a plan by which it will recommend to the Joint Education Committee a mechanism for delivering each institution's portion of the performance funding. Specifically, the performance-based funding plan, ". . . shall ensure that the performance-based funding plan distributes the performance funding amount on the basis of an institution's performance in meeting the negotiated goals and expectations specified in its performance contract. . . . 23-1-108 (1.9) C.R.S. The plan must also address the manner in which the appropriation of performance-based funding will affect the college opportunity fund stipends and fee-for-service contracts. Finally, the commission is required to recommend to the education committees in the General Assembly any statutory changes necessary to implement the performance-based funding plan.

This document contains the plan by which the CCHE will determine its recommendation for performance funding allocation to institutions. In addition to a short background section below, the plan consists of three key elements:

- 1) Common Principles to which the CCHE, the Colorado Department of Higher Education (the Department) and Institutions agreed that form the basis of the funding plan;
- 2) A description and example of the process by which performance (as measured against metrics) would be aligned with performance funding; and
- 3) A recommendation for integrating a performance funding mechanism into the existing College Opportunity Fund (COF) allocation methodology (including potential statutory changes). These sections are followed by a brief discussion about future challenges and opportunities and next steps for implementing higher education performance funding in Colorado.

Definitions:

The following terms are used in this document:

Performance Contracts are negotiated agreements between the CCHE and governing boards of public institutions of higher education representing institution-specific approaches to improving performance under each of the four statewide goals.

Performance Indicators or Metrics are a set of quantifiable measures by which the CCHE and each institution have agreed to gauge the performance of the institution in meeting goals.

Performance Funding Allocation Model is the tool by which the institutions performance metrics will be evaluated and funding distributed based upon numerous decision points and formulas.

Linear Measurement is the sequential measuring of the performance funding metrics progressing in incremental steps. For example, the linear measurement of graduations rates could be a 1 percent change based on a 0 to 100 scale.

Stepwise Binary Measurement is the measuring of the performance funding metrics in quarterly steps based upon a yes/no attainment of the goal. For example, the stepwise binary measurement of *maintaining* graduations rates could be a yes but at 75% of the goal.

Background

The CCHE and the Department of Higher Education have pursued a thorough and inclusive approach to developing this plan. Reflecting the processes used for the Master Plan and for the performance contracts, the CCHE and Department staff held numerous meetings with higher education representatives and other stakeholders to gather input and solicit feedback.

Department staff contracted with the National Center for Higher Education Management Systems (NCHEMS) to assist in analyzing plans from other states and preparing a preliminary funding allocation model for Colorado. The Department then hosted a two-day meeting in May, 2013 with chief financial officers and other finance staff from the public higher education institutions. The discussion at that meeting led to the basic principles behind this plan and the performance funding allocation model. The Department has also provided updates to institution presidents throughout the process and incorporated their feedback.

The Four Statewide Goals

The Master Plan contains four statewide goals which form the foundation for the performance contracts and for the funding allocation model. The four performance goals contained in the master plan are as follows:

- Increase the attainment of high-quality postsecondary credentials across the academic disciplines and throughout Colorado by at least 1,000 new certificates and degrees each year to meet anticipated workforce demands by 2025.

- Improve student success through better outcomes in basic skills education, enhanced student support services and reduced average time to credential for all students.
- Enhance access to, and through, postsecondary education to ensure that the system reflects the changing demographics of the state while reducing attainment gaps among students from underserved communities.
- Develop resources, through increases in state funding that will allow public institutions of higher education to meet projected enrollment demands while promoting affordability, accessibility and efficiency.

Institutional Metrics

While the four performance goals are intended to address areas of statewide concern, each public institution has its own role and mission, service area, and own distinct demographic challenges and target students. Recognizing these differences, the CCHE developed performance contracts that contain specific metrics that are common to all institutions as well as individual metrics specifically developed by each institution and tied to its individual mission. Institutions then assigned weights to their chosen metrics that will factor into the funding allocation model.

Each institution's performance will be assessed based on its progress in successfully meeting its metrics; at the same time, a total performance funding allocation will depend on the performance of other institutions on similar metrics. Representatives from Colorado's colleges and universities institutional research offices were essential in the development of a metric guidebook to document the details of how each metric will be measured and reported. Addendum A lists the four statewide goals with all institutional metrics and Addendum B contains the guidebook with details on how metrics will be measured.

Common Principles

In developing the Master Plan, performance contracts and this performance funding plan, the CCHE has sought to align its work with best practices from around the country, from organizations including the National Governors Association Center for Best Practices, the National Center for Higher Education Management Systems (NCHEMS), the National Conference of State Legislatures (NCSL) and others. Illustrative of best practices endorsed by all these organizations are the following recommendations from a NCSL brief:¹

- Allow postsecondary institutions with different missions to be measured by different standards.
- Engage all stakeholders—policymakers, higher education leaders and faculty members—in the design of the funding system.
- Phase in the performance funding system to smooth the transition to performance funding.

¹ NCSL Legisbrief, *Performance-Based Funding for Higher Education*; Vol. 20, No. 30 August 2012
Performance Funding Allocation Plan

- Maintain focus on the goal of improving college completion to benefit students, and reward both progress (momentum) and success (goal achievement).

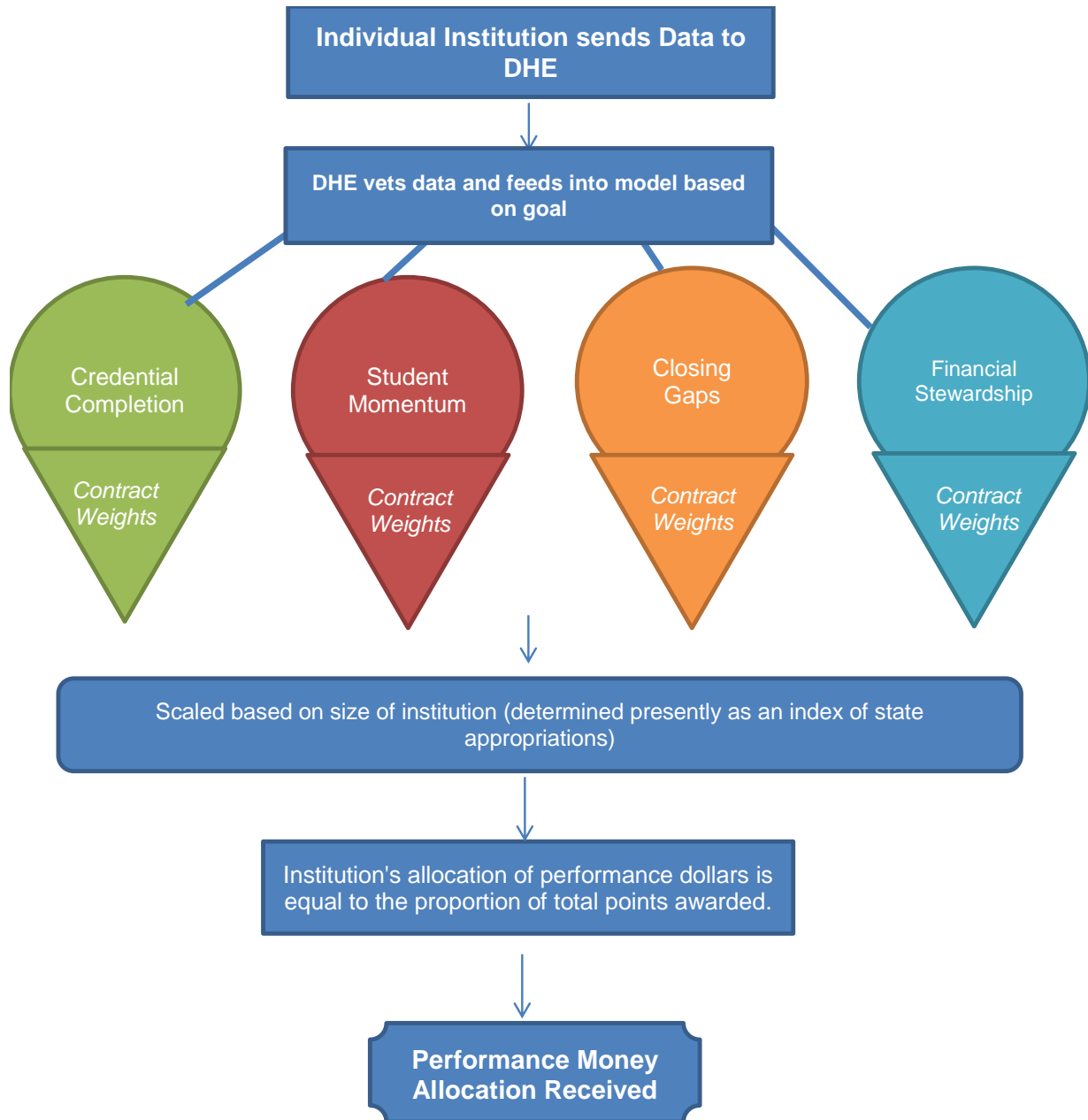
The performance contracts and the Commission’s performance funding plan are further based on a number of principles comprehensively discussed and agreed to by institutions and that, in many cases, align with national best practices. These principles will serve as the basis for determining performance as well as the approach to the plan itself and its implementation over the first years:

- Performance contracts should include both common metrics that apply across institutions and individual institution-developed metrics;
- Each of the four state-wide goals should align with at least one required metric with significant weight;
- The performance funding system should provide institutions with flexibility to weigh metrics to reflect individual role and mission;
- Performance assessment should reward both success and progress toward success;
- Institutions cannot earn “extra credit” points for performing beyond their stated goals;
- Rates should be measured based on three-year rolling averages when applicable;
- A two-year “test phase” will provide an adequate opportunity to collect data and allow for the review and assessment of the metrics and measurement tool before dollars are in play;
- Institutions will provide data to the Department; the Department will vet the data to ensure consistency and accuracy.

Aligning Institution Performance with Potential for Funding

The Colorado Department of Higher Education contracted with NCHEMS to develop a performance funding allocation model, using the common principles and agreed upon decision points from the Department and higher education representatives. This model is conceptually depicted in Figure 1.

Figure 1. Performance Funding Allocation Model



As Figure 1. shows, each institution will collect and analyze data based on the measurement definitions and collection guidelines outlined in the performance funding metric data guidebook. The institutions will submit the data to the Department utilizing a standardized reporting format via a performance funding data collection system. The institutions are reporting data to the Department because some required variables, such as peer comparison data, are not currently captured at the state level. In such cases, national reporting systems will be used to ensure data consistency and accuracy. The Department will review and vet the data from each institution and then enter the three year measurements into the allocation funding tool developed by NCHEMS,

with each metric categorized based on the four state goals. The Department will enter institutionally-developed metrics into their own separate category.

As noted above, higher education representatives recommended that both progress toward goal as well as goal completion should be valued. For example, if an institution achieves 90 percent of its metric goal rather than 100 percent, the institution would still receive partial credit towards meeting the goal rather than nothing. This is consistent with the recommendations of national experts to create an incentive for improvement even if the goal is not reached. Representatives also agreed that an institution would not receive “extra credit” for exceeding its metric goals as this could create a circumstance where some goals are substantially exceeded such that the total availability of performance funds would be materially depleted.

Detailing the performance funding model:

- 1) To award either progress or success, the model categorizes each metric into a “linear” or “stepwise binary” measurement.
- 2) Once the degree or percent of accomplishment for a metric goal is established, the model factors the weight initially assigned to that metric and awards a point value.
- 3) Next, the model will scale the point value based on the size of the institution. There are numerous means to assess institutional size; the model as currently proposed utilizes the index of state appropriations.
- 4) Finally, each of the scaled or adjusted points is collapsed back into the larger categories based on the four state goals of the performance contracts.

The total number of system-wide points available determines each governing boards’ potential share of total points. The model takes this number and applies it to the performance funding pool available and this becomes the institution’s total potential share of performance funding dollars.

Because the performance funding allocation model is calculated based upon percentages among the institutions and awards points for partially achieving goals, the model allocates *all* available performance funding at one time. In other words, no performance funds are “left over.” For example, if Institution A meets a higher percentage of its goals it will receive a higher percentage of the total performance funding pool as compared to the other colleges and universities that met a lower percentage of the metrics that support the performance funding goals.

Figure 2. demonstrates this technical process by examining one hypothetical institution with one performance metric.

Figure 2. Performance Funding Allocation Model Example

In the first box below, the data on the number of degrees or credentials awarded are recorded for three years in the blue section. The percent difference between the data for each year is recorded in the green section and that information is applied to the agreed upon metric in the pink section:

Metric 1.1 College Completion			Institution A
DATA: Undergraduate Credentials Awarded	Academic Year	2009-10	282
		2010-11	301
		2011-12	300
CALCULATION:			
Percent Difference from Year to Year	Academic Year	2009-10	-
		2010-11	6.7%
		2011-12	-0.3%
PASS: If Undergraduate Credentials Awarded Increased by 1 Percentage Point from Year to Year, then Award 100 Points; if not, 0 points.	Academic Year	2009-10 (Baseline Year)	-
		2010-11	-
		2011-12	100
	Σ	Sum of Points	100

Data collected and points assigned

In the purple box below the “Sum of points” is multiplied by the weight assigned to the metric. In this case, 100 points X 20% = 20 points.

Institution A			
CONTRACT WEIGHTS: Campus Weights Applied to Sum of Points	Weights	Contract Weight	20%
		Points x Weight	0.0
FINAL WEIGHTED POINTS	FINAL	POINTS	20

Points are weighted

In the blue box below the weighted points are scaled based upon the size of the institution (in this case as measured by share of state support funding).

Institution A		
Weighted Points are then Scaled based upon Campus Size	Points	20%
	Scale	0.8
FINAL WEIGHTED and SCALED POINTS		1.54

← Weighted points are scaled

When the scaled points from each institution are added together and summed, “Institution A’s” performance relative to the rest of the system can be determined.



Institution	Indexed Points are then added together and summed to determine point value	
	1. Credential Completion Points	SUM TOTAL
A	1.54	3.56%
B	5.28	12.22%
C	14.62	33.85%
D	0.63	1.47%
E	20.00	46.30%
F	1.12	2.59%
Total	43.2	100%

← Percent of Performance calculated

Finally, the percentage share of performance can be multiplied by the total amount of performance funding available and a performance funding amount can be awarded to the institution.



Institution	Previous Funding and Ancillary Subsumed		Performance Formula	
	FY13-14 Appropriation	Scaling Size for Performance Component	Performance Share (%)	Performance Allocation (\$)
A	\$ 11,561,201	0.80	3.6%	\$ 498,787
Less Performance Allocation	\$ 14,000,000			
System Total Base Allocation	\$ 706,000,000			\$ 14,000,000



To sum up the example, “Institution A” met its college completion goal and therefore received 100 percent of possible points toward meeting this metric. Institution A weighted this metric at 20 percent and therefore received 20 points for this metric. Scaling for size, Institution A received 1.54 total points towards this metric, which, when compared with the other institutions, was 3.56 percent of the total percent (100 percent). Based upon state appropriations and with the performance funding pool totaling \$14 million, “Institution A” would receive \$498,787 of the available performance dollars.

Statutory Requirements to Allocate Performance Funding

The College Opportunity Fund (COF) program currently provides funding to the public institutions of higher education (with exception of the Local District Junior Colleges and the Area Vocational Schools). The COF program is comprised of two components: the student stipend and the fee-for-service contract. With the student stipend, the state provides funding to the COF eligible student which is then used by the college selected by the student to buy down tuition. Fee-for-service contracts allow the state to purchase specific services from institutions through contracts. Under this approach, the funds do not count as direct General Fund grants to the participating governing boards, allowing the institutions to retain their status as state enterprises. The state enterprise distinction is important for purposes of determining whether institution tuition revenue is counted against the state’s constitutional TABOR revenue limit.

To preserve the governing boards’ ability to qualify as state enterprises, the Department recommends allocating performance funding when it becomes available through a third category within the COF funding program. In the same way that the state currently purchases services through fee-for-service contracts, the state would “purchase” performance under the performance area identified in each performance contract. Relatively minor changes to Section 23-18-101 (et. el.) would be necessary to achieve this conceptual third revenue stream for purchase of performance from the participating governing boards.

Challenges

Throughout the process of implementing performance based funding in Colorado, CCHE, the Department and the institution governing boards have addressed a number of challenges and some of these will continue in the coming months and years. Primary among these has been the challenge of balancing statewide goals (and the supporting performance metrics) with respecting the uniqueness of each governing board and institutions' role and mission within the state system. Several specific challenges that the Department is working to address include:

- As currently envisioned, the potential amount of performance funding would be relatively low and raised the question whether the amount of funds will be incentive enough to create a long-term change in behavior.
- The balance mentioned above between flexibility (tailored metrics) and the need for meaningful statewide comparisons makes a very intricate and complicated allocation tool, which can be viewed as less transparent and difficult to explain to constituents.
- Defining measurements *consistently* is a challenge due to the high number of metrics and individual means of measuring the data. Completing a model that applies the measurements consistently is vital as consistent input is needed for fair outputs.
- There is potential for a perception of weak or insignificant performance contracts where governing boards vary significantly in setting goals and metrics.
- Funding levels adequate to trigger performance funding may not be realistic for several years.

Opportunities

The CCHE and Department are also cognizant of opportunities arising from the challenges described above. Higher education in Colorado is entering a new era of responsible accountability and performance funding provides an avenue for Colorado's public colleges and universities to demonstrate their deserved value. This also creates a platform for highlighting success. Several specific highlights that the Department perceives include:

- Many institutions have self-selected and weighted challenging, meaningful indicators that align with the primary goals of the Master Plan;
- The Master Plan and contracts were built collaboratively with institutional input at every stage of the process which is a necessary component for sustained success;
- This system and approach will generate years of meaningful, relevant measurement data that is not currently collected regardless of how quickly the State is able to return to performance funding levels;
- The current approach provides opportunity for the institutions to gauge performance against initially selected indicators and make any necessary or desired changes;
- Likewise, there is an opportunity for the CCHE to work with the governing boards and institutions to evaluate the performance contracts and indicators to ensure the optimal alignment with the goals of the Master Plan.

Next Steps

Figure 3 highlights the next steps required for implementation of performance funding in Colorado. The CCHE and the Department of Higher Education will continue an inclusive approach to implementation of performance funding, similar to the development of this plan. Following CCHE approval, the next immediate step is submission and review by the Joint Budget Committee. Internally, the Department will continue to work on taking the necessary steps for performance funding implementation. This includes preparing a data collection method for which the institutions can submit data to DHE in a consistent format and collecting data. Our partner institutions have agreed to submit their final performance metric data to the Department by early May of 2014. The Department will vet the data and report back to the institutions regarding any changes to the data and/or make any necessary data definition revisions. DHE will work closely with NCHEMS to import the data and finalize the performance funding tool. The Department will conduct first public reporting on institutional performance in December 2014. The Department and institutions have agreed to a review of the performance funding contracts and metrics in the Fall of 2015, prior to the potential activation of performance funding.

Figure 3. Performance Funding Implementation Timeline

Next Steps Towards Implementation of Senate Bill 11-052	
Date	Activity
December 2013	Colorado Commission on Higher Education Plan Approval
December 2013	Performance Funding Plan submitted to the Joint Education Committee
February 2014	DHE will build a Performance Funding Metric Data Collection System by which Institutions will Submit Metric Data
May 2014	Performance Funding Metric Data Collection Submission Due from Institutions of Higher Education to DHE
December 2014	Performance Funding Baseline Report
2015	Review of Performance Funding Contracts
2016-2017	With Appropriate State Funding Performance Funding Begins

Conclusion

This document outlines the specifics of the recommended performance funding plan for Colorado higher education and includes common principles, the specific funding allocation model and the anticipated statutory change. The Department believes this recommended plan, although heavily quantitative, provides the foundation for measuring the highest priority outcomes at the institution level and for Colorado's public postsecondary system as a whole. When fully implemented, performance funding will provide an incentive-based structure to drive improved performance in areas directly supporting statewide goals for public higher education in Colorado.

Appendix A: Statewide Goals and Performance Funding Metrics by IHE

Adams State University		
	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.1 Increase undergraduate credentials awarded by 1% each year.	20%
	1.2 "Maintain excellence" By conferring undergraduate credentials per 100 students enrolled at a level at or among the top 25% of peer institutions.	15%
	Institutional Developed	
	1.7 "Maintain excellence" by conferring graduate credentials at a level at or among the top 25% of peer institutions.	10%
Goal #2: Improving Student Success	Common Indicator	
	2.2 Annually increase the proportion of students who accumulate at last 24 credit hours.	10%
	2.5 Annually increase retention rates across all student levels (e.g., sophomore, junior, senior).	5%
	Institutional Developed	
Goal #3: Reducing Gaps	2.6 Annually increase the number of credit hours taken per headcount.	5%
	Common Indicator	
	3.2 Annually reduce disparities in degree completion (graduates per 100 FTE) between resident undeserved and resident non-underserved students.	5%
Goal #3: Reducing Gaps	Institutional Developed	
	3.9 "Maintain excellence by conferring graduate credentials at a level at or among the top 25% of peer institutions.	15%
	Common Indicator	
Goal #4: Restoring Fiscal Balance	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	5%
	4.4 Increase institutional need-based financial aid expenditures (per FTE) at a rate at or above tuition increases for resident undergraduate students.	5%
	Institutional Developed	
	4.5 Maintain the institution's rank relative to peers regarding affordability by measuring the number of PELL eligible students per 100 FTE.	5%
Total		100%

Colorado Mesa University

Colorado Mesa University		Weight (%)
Goal #1: Increasing Attainment	Common Indicator	
	1.1 Increase undergraduate credentials awarded by 1% each year.	15%
	Institutional Developed	
	1.7 Increase the average number of undergraduate degrees awarded in STEM and healthcare related disciplines by 1% per year until the University has increased completions to 110% of the base year completions average, and then maintain a level of completions at or above 110% of the base year.	10%
	1.8 Increase the base year average of six-year graduation rates for first-time, full-time, baccalaureate-seeking undergraduates until the six-year graduation rate average is at or above the average for CCHE-defined peer institutions.	10%
	1.9 Increase the average number of undergraduate degrees awarded in disciplines that support regional workforce needs by 1% per year until the University has increased completions to 100% of the base year completions average, and then maintain a level of completions at or above 110% of the base year.	10%
Goal #2: Improving Student Success	Common Indicator	
	N/A	0%
	Institutional Developed	
	2.6 Increase the average base year percentage of baccalaureate-seeking students by 1% per year who successfully complete introductory, college-level courses in English and mathematics to 110% of the base year average and then maintain a level course completion at or above 110% of the base year.	5%
	2.7 Increase the base year average number of first-time, full-time, associate and baccalaureate-seeking students who accumulate at least 30 credit hours by the end of their third semester until CMU has reached 110% of the base year average, and then maintain the level of credit hours completion at or above 110% of the base year.	15%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	3%
	Institutional Developed	
	3.9 Increase the average number of newly-enrolled students from underserved populations by 1% per year above the base year average or until the University's average underserved, undergraduate population is 5% higher than the base year average and then maintain an average number at 5% or above that of the base year.	17%

Colorado Mesa University (cont'd)

Goal #4: Restoring Fiscal Balance	Common Indicator	
	N/A	0%
	Institutional Developed	
	4.5 Maintain excellence by ensuring that CMU remains in the top 25% of CCHE defined peer institutions as measured by the average percentage of expenditures allocated to instruction, beginning with the base year average.	8%
	4.6 Increase institutional financial aid awards (per FTE) to students with demonstrated need using state. Federal and institutional guidelines at a rate at or above tuition percentage increases for resident undergraduate students.	8%
Total		100%

Metropolitan State University of Denver

	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.1 Increase undergraduate credentials awarded by 1% each year.	10%
	1.4 Annually increase the graduation rate of transfer students.	10%
	Institutional Developed	
	1.7 Increase undergraduate credentials for resident, underserved students by 2% per year.	10%
Goal #2: Improving Student Success	Common Indicator	
	2.1 Annually increase the successful completion (C or better) of introductory gtPathways courses in English and Mathematics.	9%
	2.2 Annually increase the proportion of students who accumulate at last 24 credit hours.	8%
	2.5 Annually increase retention rates across all student levels (e.g., sophomore, junior, senior).	8%
	Institutional Developed	
	N/A	0%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	10%
	3.5 Annually increase the number of resident underserved students who earn postsecondary credentials in STEM disciplines.	10%
	Institutional Developed	
	3.9 Meet our annual projections of increased Latino\Hispanic enrollment by 8.25% per year (from base year 2007) to achieve HIS status (25% overall Latino\Hispanic enrollment) by 2018.	10%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	5%
	4.4 Increase institutional need-based financial aid expenditures (per FTE) at a rate at or above tuition increases for resident undergraduate students.	10%
	Institutional Developed	
	N/A	0%
Total		100%

Western State Colorado University

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.2 "Maintain excellence" By conferring undergraduate credentials per 100 students enrolled at a level at or among the top 25% of peer institutions.	17%
	Institutional Developed	
	1.7 Annually increase the number of credentials (graduate included) in STEM.	5%
Goal #2: Improving Student Success	Common Indicator	
	2.5 Annually increase retention rates across all student levels (e.g., sophomore, junior, senior).	8%
	Institutional Developed	
	2.6 Annually increase the success rates of students identified with remedial needs transferring into credit-bearing courses.	8%
	2.7 Maintain WSCU's 80% successful completion (C or better) of introductory gPathways courses in English and Mathematics.	10%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	5%
	3.2 Annually reduce disparities in degree completion (graduates per 100 FTE) between resident underserved and resident non-underserved students.	3%
	3.4 Annually increase the proportion of newly enrolled resident students who are from resident underserved populations.	5%
	3.7 Annually reduce disparities in retention rates among resident underserved students and resident non-underserved students across all levels (sophomore, junior, senior).	4%
	Institutional Developed	
	3.9 Annually increase the proportion of underserved resident students as defined by gender and region (i.e., rural Colorado).	5%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	15%
	Institutional Developed	
	4.5 Maintain ranking at or among the top 50% of peer institutions in administrative efficiencies as measured by administrative expenditures as a percent of total expenditures.	15%
Total		100%

Ft. Lewis College

	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.1 Increase undergraduate credentials awarded by 1% each year.	10%
	1.4 Annually increase the graduation rate of transfer students.	15%
	1.5 Annually increase proportion of undergraduate credentials awarded in STEM disciplines	5%
	Institutional Developed	
	N/A	0%
Goal #2: Improving Student Success	Common Indicator	
	2.2 Annually increase the proportion of students who accumulate at last 24 credit hours.	10%
	2.5 Annually increase retention rates across all student levels (e.g., sophomore, junior, senior).	10%
	Institutional Developed	
	N/A	0%
Goal #3: Reducing Gaps	Common Indicator	
	3.2 Annually reduce disparities in degree completion (graduates per 100 FTE) between resident undeserved and resident non-underserved students.	10%
	3.5 Annually increase the number of resident underserved students who earn postsecondary credentials in STEM disciplines.	5%
	3.7 Annually reduce disparities in retention rates among resident underserved students and resident non-underserved students across all levels (sophomore, junior, senior).	10%
	Institutional Developed	
	N/A	0%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	15%
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation.	10%
	Institutional Developed	
	N/A	
Total		100%

Colorado State University

	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.1 Increase undergraduate credentials awarded by 1% each year.	10%
	1.5 Annually increase proportion of undergraduate credentials awarded in STEM disciplines.	5%
	1.6 Annually increase graduate degree productivity as measured by the number of graduate credentials awarded compared to the number of graduate students (FTE) enrolled.	10%
	Institutional Developed	
	1.7 Annually decrease the median time/credits to graduation for undergraduate resident students.	5%
Goal #2: Improving Student Success	Common Indicator	
	2.1 Annually increase the successful completion (C or better) of introductory gtPathways courses in English and Mathematics.	10%
	2.5 Annually increase retention rates across all student levels (e.g., sophomore, junior, senior).	5%
	Institutional Developed	
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	5%
	3.2 Annually reduce disparities in degree completion (graduates per 100 FTE) between resident undeserved and resident non-underserved students.	10%
	3.4 Annually increase the proportion of newly enrolled resident students who are from resident underserved populations.	5%
	3.8 Annually increase the proportion of resident underserved students who earn graduate-level degrees.	5%
	Institutional Developed	
Goal #4: Restoring Fiscal Balance	N/A	0%
	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	7%
	Institutional Developed	
Goal #4: Restoring Fiscal Balance	4.5 Annually decrease the proportion of E&G Revenues derived from Colorado resident tuition.	7%
	4.6 Expand research and engagement efforts with external funding sources that leverage institutional investments to enhance our mission of discovery, yield increased community engagement, and promote life-long learning of the citizens of Colorado.	6%
Total		100%

University of Colorado

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	10%
	Institutional Developed	
	1.7 Annually increase the number of graduate and professional credentials awarded.	10%
Goal #2: Improving Student Success	Common Indicator	
	2.5 Increase or maintain the proportion of fall undergraduate degree-seeking students with freshman through junior class standing (combined), who are enrolled or have graduated by fall.	12%
	Institutional Developed	
	2.6 Annually increase the number of undergraduate students who transfer from Colorado community colleges.	10%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	12%
	Institutional Developed	
	3.9 Annually increase the number of undergraduate credentials earned by resident underserved students.	12%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.4 Increase institutional need-based financial aid expenditures (per FTE) at a rate at or above tuition increases for resident undergraduate students.	10%
	Institutional Developed	
	4.5 Maintain administrative expenditures (as a percentage of total expenditures) at or below the peer institution average.	12%
	4.6 Maintain a high grade (AA- or higher) designation by external bond rating agencies.	12%
Total		100%

Colorado School of Mines

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.3 "Maintain excellence" by maintaining graduation rates at or among the top 25% of peer institutions.	25%
	Institutional Developed	
	1.7 Annually award over 90% of undergraduate degrees in the STEM disciplines.	10%
Goal #2: Improving Student Success	Common Indicator	
	N/A	0%
	Institutional Developed	
	2.6 Maintain excellence in outcomes rate by having at least 90% of bachelor degree recipients either enrolling in graduate school or be employed in a job related to their course of study within one year of graduation.	10%
	2.7 Maintain excellence by maintaining retention rates at or above 25% of peer institutions.	20%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	10%
	Institutional Developed	
	3.9 Maintain excellence by maintaining proportion of undergraduate degrees awarded to women at or among the top 25% nationally as measured and reported by the American Society of Engineering Education (ASEE).	10%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	5%
	Institutional Developed	
	4.5 Maintain excellence by remaining at or among top 25% of public institutions in endowment per FTE as ranked by the National Association of College and University Business Officers (NACUBO).	10%
Total		100%

University of Northern Colorado

	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.2 "Maintain excellence" By conferring undergraduate credentials per 100 students enrolled at a level at or among the top 25% of peer institutions.	15%
	1.4 Annually increase the three-year rolling average for the graduation rate of transfer students.	5%
	Institutional Developed	
	N/A	0%
Goal #2: Improving Student Success	Common Indicator	
	2.1 Annually increase the successful completion (C or better) of introductory gtPathways courses in English and Mathematics.	10%
	Institutional Developed	
	2.6 Annually increase the three-year rolling average for retention rates for academically prepared (index score of 94 or higher) Pell-eligible students across all levels.	5%
	2.7 Annually increase the three-year rolling average for retention rates for Pell-eligible students with an index score below 94 across all levels.	5%
Goal #3: Reducing Gaps	Common Indicator	
	3.2 Annually reduce disparities in degree completion (graduates per 100 FTE) between resident undeserved and resident non-underserved students.	15%
	3.7 Using a two-year average for the first year and a three-year rolling average thereafter, annually reduce the average for disparities in retention rates among resident underserved students and resident non-underserved students across all levels (sophomore, junior, senior).	5%
	Institutional Developed	
	N/A	0%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation.	20%
	Institutional Developed	
	4.5 Maintain the institution's standing in the top quartile relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	20%
Total		100%

Colorado Community College System

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	20%
	Institutional Developed	
	1.7 Annually increase transfer out rate of degree-seeking associate of art or associate of science students who earn at least 12 credit hours.	15%
Goal #2: Improving Student Success	Common Indicator	
	2.5 Annually increase retention rates across all student levels.	15%
	Institutional Developed	
	2.6 Annually increase remedial course completion rates while completing the implementation of the CCCS remedial task force recommendations by Fall term of 2016.	15%
Goal #3: Reducing Gaps	Common Indicator	
	3.2 Annually reduce disparities in credential completion between resident underserved and resident non-underserved students.	15%
	3.6 Annually reduce disparities in the transfer out rate between resident underserved students and resident non-underserved students.	5%
	Institutional Developed	
	N/A	0%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation.	10%
	Institutional Developed	
	4.5 Maintain base CCCS resident tuition levels at less than 60% of Colorado.	5%
Total		100%

Aims Community College

	Common Indicator	Weight (%)
Goal #1: Increasing Attainment	1.3 "Maintain excellence" by maintaining graduation rates at or among the top 25% of peer institutions.	15.0%
	Institutional Developed	
	1.7 Annually increase the completion rate of students in all degrees and certificates including those certificates less than 30 hours.	15.0%
Goal #2: Improving Student Success	Common Indicator	
	2.2 Annually increase the proportion of students who accumulate at last 24 credit hours.	13.5%
	Institutional Developed	
Goal #3: Reducing Gaps	2.6 Annually increase the proportion of students who complete the final development course in English or Math and complete College Level English or Mach with a C or better.	6.5%
	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students.	15.0%
	3.3 Annually reduce disparities in the successful completion rates of entry-level gtPathways courses English and entry-level mathematics courses between resident underserved students and resident non-underserved students.	5.0%
	Institutional Developed	
	N/A	0.0%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation.	20.0%
	4.3 Increase expenditures for instruction (per FTE) at a rate that is equivalent to or greater than tuition increases for resident undergraduate students.	10.0%
	Institutional Developed	
	N/A	0.0%
Total		100.0%

Colorado Mountain College

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	10%
	Institutional Developed	
	1.7 For each CMC bachelor's program, annually increase the number of graduates by 5% (starting from the 2nd year when graduates are expected).	23%
Goal #2: Improving Student Success	Common Indicator	
	2.1 Annually increase the successful completion (C or better) of introductory gtPathways courses in English and Mathematics.	5%
	Institutional Developed	
	2.6 Annually increase the pass rate (C- or better) in all courses by 1%.	15%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students by 1%.	5%
	Institutional Developed	
	3.9 Annually increase the average number of completed credits for resident underserved students by 1%.	15%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation	8%
	Institutional Developed	
	4.5 The dollar tuition increase at CMC will be less than the average of the colleges and universities in Colorado, on the three-year running average.	19%
Total		100%

Delta Montrose Technical College

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	7%
	1.3 "Maintain excellence" by maintaining graduation rates at or among the top 25% of peer institutions.	18%
	1.5 Annually increase proportion of certificate credentials awarded in STEM disciplines	5%
Goal #2: Improving Student Success	Institutional Developed	
	2.6 Increase persistence rates within certificate programs more than one semester in length from Semester 1 to Semester 2.	15%
	2.7 Increase enrollment rates from HS into DMTC certificate programs.	5%
	2.8 Maintain excellence by achieving placement rates at a level at or among the top 25% of peer institutions.	10%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students by 1%.	10%
	3.4 Annually increase the proportion of newly enrolled resident students who are from resident underserved populations.	10%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	10%
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation	10%
Total		100%

Emily Griffith Technical College

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	7%
	1.3 "Maintain excellence" by maintaining graduation rates at or among the top 25% of peer institutions.	18%
	1.5 Annually increase proportion of certificate credentials awarded in STEM disciplines	5%
Goal #2: Improving Student Success	Institutional Developed	
	2.6 Increase persistence rates within certificate programs more than one semester in length from Semester 1 to Semester 2.	15%
	2.7 Increase matriculation rates from EGTC concurrent enrollment students into EGTC certificate programs.	5%
	2.8 Maintain excellence by achieving placement rates at a level at or among the top 25% of peer institutions.	10%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students by 1%.	10%
	3.4 Annually increase the proportion of newly enrolled resident students who are from resident underserved populations.	10%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	10%
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation	10%
Total		100%

Pickens Technical College

Goal #1: Increasing Attainment	Common Indicator	Weight (%)
	1.1 Increase undergraduate credentials awarded by 1% each year.	7%
	1.3 "Maintain excellence" by maintaining graduation rates at or among the top 25% of peer institutions.	18%
	1.5 Annually increase proportion of certificate credentials awarded in STEM disciplines	5%
Goal #2: Improving Student Success	Institutional Developed	
	2.6 Increase persistence rates within certificate programs more than one semester in length from Semester 1 to Semester 2.	15%
	2.7 Increase enrollment rates from HS concurrent enrollment students into PTC certificate programs.	5%
	2.8 Maintain excellence by achieving placement rates at a level at or among the top 25% of peer institutions.	10%
Goal #3: Reducing Gaps	Common Indicator	
	3.1 Annually reduce disparities in graduation rates between resident underserved and resident non-underserved students by 1%.	10%
	3.4 Annually increase the proportion of newly enrolled resident students who are from resident underserved populations.	10%
Goal #4: Restoring Fiscal Balance	Common Indicator	
	4.1 Maintain the institution's rank relative to peers regarding the number of degrees awarded per \$100,000 in total operating (E&G) revenues.	10%
	4.2 Moderate resident undergraduate tuition increases when state general fund revenues increase above inflation	10%
Total		100%