

# PASSHE System Performance Funding

rev 7/09/09

## Performance Funding Calculations

PASSHE has identified a series of 17 accountability measures for System universities. (Sub-measures bring the total number of indicators to 64.) These have been chosen to permit comparison between System universities. They do not purport to measure all of the things that are important about an institution and they are not the only means by which universities in the System are evaluated. (Each institution also prepares a narrative report on its achievements.)

The system evaluates university performance in these measures in three ways: in relation to the school's own historical trends ("baselines"); in relation to similar schools, PASSHE averages or national standards ("benchmarks"); and in relation to PASSHE system goals ("targets").

The System considers performance in eight of the areas (including selected sub-measures) in dividing system performance funding (currently 6% of the total state apportionment, or about \$28 million).

- Funds are divided equally among three categories of performance goals (baselines, benchmarks, and targets), then divided equally among the eight measures, and finally among sub-measures (if any).
- Within each (sub-)measure, funds are initially allotted on the basis of one share for each school meeting the goal and three for each exceeding it.
- Funds in each performance level are then prorated according to FTE of the schools at that level.

An example, using round numbers for the sake of simplicity:

- Suppose there is a total of \$24 million in performance funding, or \$8 million per performance category (baselines, benchmarks, targets) and \$1 million per measure in each category.
- Suppose two schools exceed a goal and four meet it. The schools that meet the goal will divide four shares (4 x 1, \$400,000) and the schools that exceed the goal will divide six shares (2 x 3, \$600,000).
- Suppose "exceeding" Schools A and B have 7,000 and 3,000 FTE respectively. Their division of \$600,000 comes to \$60 per FTE, so School A will get \$420,000 and School B \$180,000.
- If "meeting" schools C, D, E, and F have FTEs of 2,000, 4,000, 6,000, and 8,000, each will receive \$20 per FTE, or \$40,000, \$80,000, \$120,000, and \$160,000 respectively.

While all of the measures are worthy goals, the connection with funding gives some an additional importance. To strengthen the University's finances, it is necessary to prioritize certain measures.

There are two ways to increase system performance funding:

- Move up to a higher funding level (i.e., from "Not Met" to "Met" or from "Met" to "Exceeded").
- Move up in a measure in which few schools are at that level or higher.

In setting priorities re. performance measures, the University must consider the following:

- **Funding:** measures that are (or likely to be) funded.
- **Predictability:** measures in which consistent results can be expected (e.g., large enough population).
- **Difficulty:** measures in which performance is already near the next level and can easily be improved.
- **Time:** measures in which we can improve quickly (e.g., changing faculty demographics takes time).
- **Return:** measures in which there are fewer schools at or above our desired level.
- **Cost:** measures in which improvements can be made at relatively little cost.
- **Fit:** measures that fit internal and strategic plans; we should not simply chase money.

Three additional factors must be kept in mind:

- The University controls only its own performance. Other schools' improvements affect our funding.
- Self and peer goals are moving targets. This year's improvements raise the bar for next year.
- The System may change (and has in the past changed) which measures are funded.

Since the plan was put in place, Lock Haven has improved performance significantly in a number of areas. The university typically meets or exceeds most of its historical baselines, but meets far fewer of the peer benchmarks or system targets. As a result, most of the university's performance funding come from improvement and little from meeting external benchmarks or targets. Over time, of course, continued improvement (and related funding) becomes more difficult to achieve. In addition, the university tends to do well on the same measures as other schools; the more schools that meet or exceed a particular goal, the less money each receives. The greatest awards go to schools that excel where others fall short, and, by succeeding only where others also succeed, LHU has garnered few of the large awards received by others.

## **Funded and Unfunded Measures**

### ***Funded Measures***

#### **Retention and graduation**

- Degrees awarded (number and as percentage of headcount)
  - Undergraduate
  - Graduate
- Second-year persistence (number and percentage)
  - Overall
  - Ethnic minority (Black and Hispanic)
- Graduation rates
  - Four-year rate (overall and ethnic minority students)
  - Six-year rate (overall and ethnic minority students)

#### **Faculty composition**

- Ethnic diversity (i.e., number and percentage of faculty who are African-American or Hispanic)
- Percentage of faculty with terminal degrees

#### **Containing costs**

- Instructional costs per student FTE
  - Undergraduate (lower division; upper division)
  - Graduate
- "Personnel ratio" (personnel costs as a percentage of total Educational and General expenditures)
- Faculty "productivity" (student credit hours per FTE faculty)

### ***Unfunded Measures***

#### **Diversity**

- Ethnic diversity of student population
- Ethnic and gender diversity of faculty and professional staff

#### **Educational programming**

- Accredited programs
- PRAXIS pass rate
- Programs with few graduates
- Internships

#### **Access**

- Distance education enrollment
- Associate's degrees awarded (or community college transfers)

#### **Funding**

- Private dollars raised
- Increase in endowment