Pennsylvania State System of Higher Education
2011–2017 Performance Funding Program
Conceptual Framework Approved by Board of Governors, January 20, 2011
Document Updated and Distributed to Presidents, March 30, 2012

The Performance Funding Program must support the strategic direction of the Pennsylvania State System of Higher Education (PASSHE)

The challenges facing PASSHE are more complex and critical than at any point since its founding in 1983. The face of our students is changing, the global economy into which our graduates head requires new skills that give them intellectual flexibility, the issues facing the Commonwealth require multifaceted and creative solutions, the need for more university-prepared citizens is high, and the need for PASSHE institutions to engage their communities has never been greater. These challenges, if they are to be addressed, require a more inclusive approach in terms of people and viewpoints. This approach must be one that breaks down traditional silos and replaces it with a functional, strategic process that is dynamic, responsive, and grounded in a learner-focused culture of continuous improvement. The spirit of entrepreneurship must be reflected in our students and universities. PASSHE universities must be known as places where knowledge is generated to advance understanding across all academic disciplines, improve professional practice, and enhance the quality of life in the regions served. Four primary drivers have been identified to shape the future direction of the universities and PASSHE:

1. Transforming students and the learning environment.
2. Transforming the resources.
3. Transforming university-community relations.
4. Transforming PASSHE's role in determining the Commonwealth's future.

As PASSHE and the universities transform teaching and learning, secure resources, engage their communities and regions, and provide leadership for the future, the Performance Funding Program is designed to measure the outcomes of these efforts in the ***success*** of our students, comprehensive ***access*** to opportunity, and ***stewardship*** of our resources and the Commonwealth's communities and regions.

Success: The primary mission of PASSHE universities is to help students achieve their educational goals successfully. To be successful in the 21st century, students must be prepared for lifelong learning, a habit of the mind that will force them to refresh their content knowledge continually. To ensure this outcome, PASSHE must lead the way in changing the manner in which students learn, faculty teach, and courses are delivered. As the Commonwealth's universities, PASSHE institutions have a special relationship with the state. As a result, PASSHE is obligated to address the strategic needs of the Commonwealth, filling an appropriate role in creating the policy and direction for the state's future.

Access: As the state-owned universities, PASSHE serves a critical role through providing access to higher education, building college aspirations and enrollment among underserved populations, and facilitating the opportunity for advancement of educational achievement from pre-baccalaureate through baccalaureate and graduate degrees and professional certifications. PASSHE must ensure that the students who learn in its universities reflect the diversity of the communities from which they

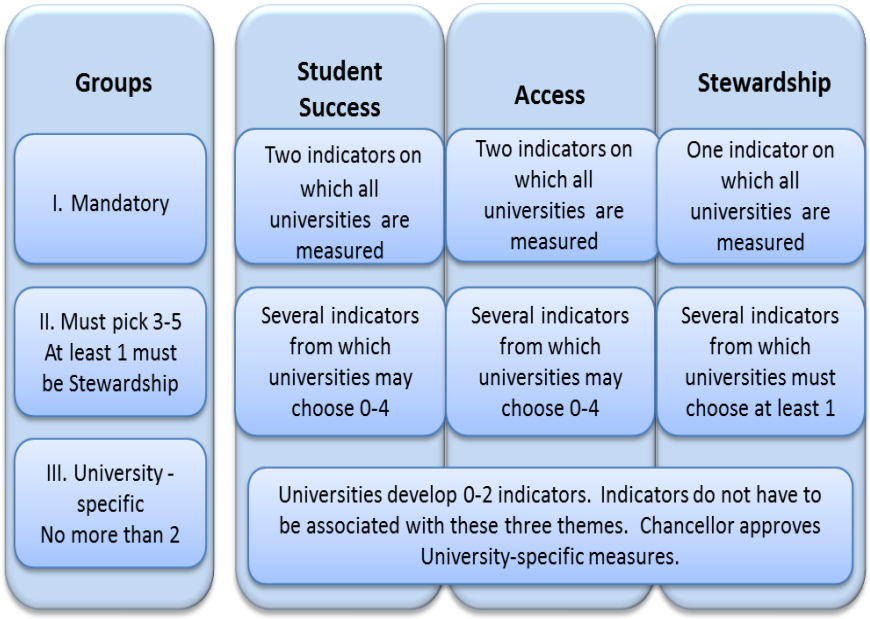
come, that the faculty and staff who teach and support them do as well, and that students are well prepared to enter a global workforce.

Stewardship: As stewards of public resources, PASSHE universities must be fiscally efficient and responsible. The human, financial, and physical resources necessary to create the highest quality learning opportunities for our students need to be effectively and efficiently managed. PASSHE prides itself as a national leader in identifying and implementing significant cost reductions and cost avoidance strategies. Providing adequate resources in difficult economic times will require continual rethinking of university entrepreneurship and flexibility, and a realization that new ways of thinking and conducting our operations are essential. The communities and regions in which PASSHE universities are located must be better for and enhance those institutions. This mutually beneficial relationship must be nurtured and enhanced in many ways that respect and build upon each other's strengths. PASSHE universities have an obligation to enhance the quality of life of the citizens of our communities, and help improve local and regional economic conditions.

The Performance Funding Program is designed around specific principles:

- The program will be clear, understandable, and replicable.
- The primary focus will be on results (outputs rather than inputs or throughputs).
- There will be transparency and visibility of all data.
- University efforts to distinguish themselves on programs, students, locations, and delivery methods will be possible.
- The design will reduce inter-institutional competition and support collaboration.
- The program will align with System and university strategic directions and System policies, e.g., allocation formula.
- The program will align with national accountability efforts, including Middle States accreditation, Voluntary System of Accountability (VSA) requirements, and the EdTrust/NASH Access to Success initiative.

Figure 1.



Selection of Performance Measures/Indicators

To achieve the principles within the three themes, each university will be evaluated on ten performance measures over the next five years. The performance indicators are organized into three groups. (See Figure 1.) All of the universities will be responsible for the five mandatory performance indicators in Group I. The universities will select the remaining five performance measures from Groups II and III.

Universities may lock in their optional indicators for the five years of the plan or they may elect to have a three-year review of their optional measures to determine if the measure is still appropriate for growth toward strategic initiatives. Universities with new leadership will have a one year option to provide the new President with the ability to review and revise the optional measures for the remaining years of the plan. Each university must select at least one measure from the Stewardship theme in Group II. Otherwise, there are no limits on the number of performance measures selected from any theme. Group III allows the university to propose to the Chancellor a maximum of two unique performance measures not listed in Group II. Any proposed measure should be derived from the university's strategic plan, have an element of risk as well as reward, have an external comparative base, and be capable of being quantified such that it can be determined if the university meets or does not meet the goal.

All indicators and goals must be established by June 30, 2012 to be used for performance measured in 2012-2013 and awarded during the fall of 2013.

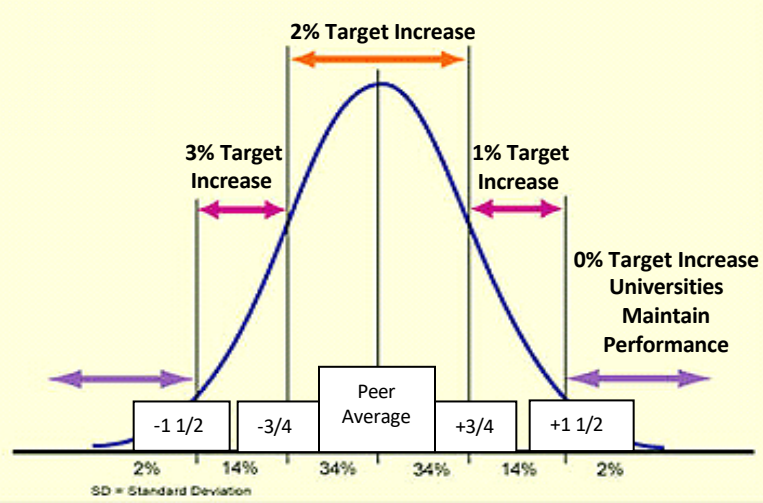
Performance Measurement

For all indicators, university performance will be measured via progress toward institution-specific goals and against external comparisons or expectations. Whenever possible, external comparisons will be based upon similar universities participating in national studies. As needed, benchmark institutions will be developed in consultation with the Chancellor and based on, but not limited to, such factors as institutional size and complexity.

Institutional goals have been established for all measures for each year of the plan, with the exception of Private Giving, which will have targets that are negotiated between the university president and the Chancellor. Annual targets for Closing the Access and Achievement Gaps as well as the Degrees Conferred measure have been created using the methodology of the Access to Success and Complete College America initiatives.

Performance Funding Target Methodology

Figure 2



For the other measures, targets have been established based on performance in the baseline year that was assessed in proportion to peer performance in the same year. The baseline year was derived from the average of the three most recent years of calculated university performance of the measure. The peer performance was derived as an average of all of the peers'

performances in the most recent single year. Using the standard deviation as the metric to determine relationship to peer performance, targets for expected levels of performance have been created. Universities whose performance is farther away from the benchmark performance level will be required to show greater improvement to meet performance expectations. Universities with performance significantly exceeding the benchmark performance level will be expected to maintain the current level of performance (See Figure 2.) For all optional measures, universities have the option of using the targets established for each measure or they can elect to propose their own targets to be approved by the Chancellor.

Performance Funding Pool and Distribution

In recent years, performance funding was provided from two separate fund sources: 6% of the Educational and General (E&G) Appropriation and the equivalent of 2% from the Program Initiatives Line Item. Given the impact of the current economic downturn on Commonwealth funding for PASSHE, it is likely that this source of funds will continue to diminish and, perhaps, that the Program Initiatives Line Item may be discontinued permanently. To maintain a reasonable performance funding pool that will continue to encourage performance, the performance funding pool will be established as equal to 2.4% of PASSHE's total E&G revenue, which is roughly equivalent to the 2010/11 performance funding level. The performance funding pool will continue to be funded completely from state appropriations. The distribution of these funds will occur as outlined below.

Distribution Method

- Performance funding will be determined for each university based upon performance on the ten indicators.

- Each university will have the ability to meet performance on each measure for a maximum total of ten points, or one point per measure. Measures will include components for individual performance and performance in relation to peers or external standards.

- Points are earned by a university for at least meeting the performance requirement. For measures that contain submeasures, each submeasure is worth the appropriate fraction of a point. For example, for an indicator with two submeasures, each submeasure is worth 0.5 point.

- All points are totaled for each university, then weighted by the university's base appropriations funding determined by the allocation formula, exclusive of the small university adjustment factor.

- The weighted points are divided into the total performance funding pool to create a dollar-per-point value that is multiplied by the number of points the university earned to establish the allocation.

Transition to New Plan

Performance funding awards to be distributed in fall 2011 and fall 2012 will be based upon a set of transitional indicators. These indicators have been used in the current System Accountability Plan and are consistent with the focus of the new performance

funding program, approximating the focus of the five mandatory indicators that will be in place for measurement in 2012/13.

The following seven indicators will be used, with some slight modifications.

Degrees Awarded
Second-Year Persistence
Graduation Rates
Instructional Productivity
Employee Diversity
Private Support (including the top three gifts)
Faculty with Terminal Degrees

Performance will be measured in the same manner used in recent years, based upon a combination of historical trends. Awards will be determined based upon individual performance and peer comparisons; the System target comparison will no longer be used. Similarly, awards will be determined based upon meeting or not meeting performance; exceeding performance will no longer be recognized.

Distribution of awards in fall 2011 and fall 2012 will be based upon the new distribution methodology, presented above.

Performance Indicators

The mandatory and optional indicators for each theme are summarized below. Please note that the original performance funding plan approved by the Board of Governors January 20, 2011, included three optional indicators based on results of the National Survey of Student Engagement (NSSE). Since that time, the NSSE survey instrument has been redeveloped, resulting in the inability to obtain multi-year data for historical performance trends. Those original indicators based upon NSSE data are no longer included in the list of optional indicators. However, two new optional indicators are provided in their absence.

Student Success

Group I: Two measures

1. Degrees Conferred (1.0)
   a. Number of associate, baccalaureate, and graduate degrees conferred (.50)
   b. Baccalaureate degrees awarded per FTE undergraduate enrollment (.50)

2. Closing the Achievement Gaps for Freshmen (1.0)
   a. Closing the Achievement Gap for Pell Recipients (.50)
   b. Closing the Achievement Gap for Underrepresented Minority (URM) Students (.50)

Group II: Universities can select from the following:

3. Student Persistence (1.0)
   a. Overall percentage of students returning for a third academic year (.66)
   b. Overall percentage of students returning for a fourth academic year (.34)

4. Value-Added—Senior CLA, CAAP, or ETS® Proficiency Profile Scores (1.0)
5. STEM and Health Profession (STEM-HP) Degree Recipients—Percentage of university degree recipients in high need programs such as science, technology, engineering, mathematics(STEM), and health care (1.0)
6. Closing the Achievement Gaps for Transfer Students (1.0)
   a. Closing the Transfer Achievement Gap for Pell Recipients (.50)
   b. Closing the Transfer Achievement Gap for URM) Students (.50)

Access

Group I: Two measures

1. Closing the Access Gaps for Freshmen (1.0)
   a. Closing the Access Gap for Pell Recipients(.50)
   b. Closing the Access Gap for URM Students (.50)
2. Faculty Diversity (1.0)
   a. Percent of full-time tenure/tenure-track faculty who are nonmajority persons (.50)
   b. Percent of full-time tenure/tenure-track faculty who are female (.50)

Group II: Universities can select from the following:

3. Faculty Career Advancement (1.0)
   a. Percent of Associate Professors who are nonmajority (.25)
   b. Percent of Associate Professors who are female (.25)
   c. Percent of Professors who are nonmajority (.25)
   d. Percent of Professors who are female (.25)
4. Employment (Nonfaculty) Diversity (1.0)
   a. Percent of Executives who are nonmajority (.25)
   b. Percent of Executives who are female (.25)
   c. Percent of Professional staff who are nonmajority (.25)
   d. Percent of Professional staff who are female (.25)
5. Student Diversity (1.0)
   a. Percent of total student enrollment who are federal Pell Grant recipients (.50)
   b. Percent of total student enrollment who are nonmajority (.50)
6. Closing the Access Gaps for Transfers (1.0)
   a. Closing the Access Gap for Pell Recipients(.50)
   b. Closing the Access Gap for URM Students (.50)

Stewardship

Group I: One measure

1. Private Support—Three-year average of total dollars raised (1.0)

Group II: Universities must select at least one from the following:

2. Facilities Investment (1.0)
3. Support Expenditures as Percent of Cost of Education (1.0)
4. Instructional Productivity (1.0)
5. Employee Productivity (1.0)

University-Specific Indicators

Group III: Universities may create no more than two Group III indicators, which have to be approved by the Chancellor for inclusion in the performance funding program. Proposals should follow the prescribed template for defining the performance indicator including the data source(s). The Accountability and Performance Funding Committee members are available to consult with universities to help develop successful indicators.