

DRAFT

State University System of Florida: Performance Funding

Introduction and Guiding Principles

The 2003 Legislature amended provisions of the Florida “K-20 Accountability Statute” when it enacted HB 915 (Chap. 2003-80, Laws of Florida). Among its components, this legislation required that, by December 1, 2004, the State Board of Education (SBE) make recommendations to the Legislature regarding performance-based funding that apply accountability standards to the four public education delivery sectors: K-12, workforce education, community colleges, and four-year public postsecondary institutions. The SBE’s recommendations must address how at least 10 percent of the state funds appropriated to the K-20 education system could be conditional upon meeting or exceeding established performance standards.

Although House Bill 915 refers to the SBE, it does not reference the responsibility and authority of the newly created Florida Board of Governors (BOG), a constitutional entity with governance responsibility for the eleven institutions comprising the State University System (SUS). This report, with its attendant accountability measures was reviewed and approved by the BOG and reflects many of the conversations by that body as it met and deliberated on these issues in the context of its Performance and Accountability Committee. As such, this report is intended as a response to the requirements of HB 915 with respect to recommendations for accountability and performance funding for the SUS, enjoining the larger report for those educational sectors for which the SBE has responsibility.

This report, then, takes into account the work of both the SBE K-20 Accountability Task Force, with a multi-sector focus, and the Board of Governors, which focused on the State University System. Despite the two boards’ different areas of responsibility, these recommendations are intended to be consistent with the idea of a K-20 system of accountability.

In recommending an accountability system that might be used to effect performance-based funding, both the SBE and the BOG adhered to the same priorities and guiding principles with respect to legislative intent. The goals articulated by the Florida Legislature were:

- (1) highest student achievement;
- (2) seamless articulation;
- (3) an educated, relevant workforce; and
- (4) quality, efficient services.

Both the State Board of Education and the Board of Governors focused on a small set of meaningful, actionable measures to which could be ascribed reliable data, rather than attempting to use the universe of potential measures, some of which might not be actionable, reliable, or relevant to key stakeholders. In fact, having finalized a total of seven accountability measures, the BOG was further advised by its staff that even further simplification would be imperative in attaching funding to performance.

Dollars Associated with Performance Funding

The total ten percent of state dollars appropriated to the State University System constitutes \$2,182,485,347. However, for purposes of performance funding, the BOG recommends that the dollars associated with administered funds for health insurance, non-recurring funds, major gifts, risk management insurance, the Minority Participation in Legal Education program, financial aid, the Phosphate Research Trust Fund, and the Moffitt Cancer Center be subtracted from that total, leaving \$1,919,823,758. By institution, these dollars and the corresponding 10% associated with performance funding are:

<u>Institution</u>	<u>2004-05 E&G Appropriation</u>	<u>10% Portion</u>
University of Florida	\$543,075,771	\$54,307,577
Florida State University	\$286,204,603	\$28,620,460
Florida A&M University	\$98,747,489	\$9,874,749
University of South Florida	\$283,884,624	\$28,388,462
Florida Atlantic University	\$138,034,671	\$13,803,467
University of West Florida	\$58,215,645	\$5,821,565
University of Central Florida	\$224,246,474	\$22,424,647
Florida International University	\$171,782,849	\$17,178,285
University of North Florida	\$68,480,823	\$6,848,082
Florida Gulf Coast University	\$36,004,909	\$3,600,491
New College of Florida	\$11,145,900	\$1,114,590
	\$1,919,823,758	\$191,982,375

Board of Governors Measures

The Board of Governors approved seven accountability measures. Besides their accordance with the SBE’s measures, the virtue of these seven measures is that they very closely track the goals articulated in the BOG’s Strategic Plan. The measures are:

Measure One: Increase access to and production of bachelor’s, master’s, doctoral, and professional degrees

This measure will focus on tracking the increased degree-granting productivity of the SUS, particularly at the baccalaureate-level where Florida ranks low nationally, but with attention to all degree levels. Doctoral and professional-level degree productivity will also be tracked in Measure Seven, intended to capture advances in world-class research and academic programs. Measure One is characterized as having reliable data collected over a long period of time. Further, it is key in that it represents the prime mission of the SUS irrespective of institution, and it is a measure whose improvement is difficult without attention to, excess credit hours, retention, and facility usage. The measure is relevant to two legislative goals—"highest student achievement" by virtue of the argument that to attain a degree is to achieve at a high level; and "quality, efficient services" because more degrees produced, if quality-controlled, will equate to greater efficiency.

Measure Two: Proportion of test takers who pass required licensure/certification exams within a timeframe appropriate to the discipline

This measure of "highest student achievement" will be simplified to focus on (a) key disciplines (b) for which there are good data, as opposed to the universe of applicable disciplines for which data may be either unreliable or irrelevant. As one example of irrelevance, State-approved initial educator preparation programs are required by statute to have 100% pass-rates for program completers on the certification exams. In other cases, data have been historically difficult to obtain. There are, however, key disciplines for which passage is critical, and comparative data are available and reliable.

Measure Three: "Academic Learning Compacts" for every graduate from the SUS, certifying that they possess core content knowledge, communication skills, and critical thinking skills

No discussion consumed more of the BOG's time than how to ensure student learning at the postsecondary level. The university experience is by definition variable even across similar disciplines at different institutions, tailored to the interests of individual clients, complex as to the parts constituting its whole, and potentially utilizing a great variety of assessment methods. Those considerations noted, the BOG attacked the problem of how Florida's citizenry could be assured that its sons and daughters were mastering a clearly identified body of knowledge, as well as requisite skills in communication and critical thinking. Its answer was the creation of Academic Learning Compacts (ALCs), a product unattempted at any state level and one which received the endorsement of some of the Nation's most prominent experts on postsecondary student learning outcomes assessment, including participants on the National Commission on Accountability in Higher Education.

Academic Learning Compacts identify, at a minimum, (1) the expected core student learning outcomes for baccalaureate graduates in the areas of content/discipline knowledge and skills, communication skills, and critical thinking skills; and (2) corresponding assessments used to determine how well student learning matches those articulated expectations, i.e., how those components will be assessed, above and beyond the traditional reliance on individual course grades alone, and (3) how those assessments will be validated.

The advantages of the ALCs are several. First, they will provide for a clear set of expectations to students at the beginning of their academic careers. Second, they will necessitate that faculty across the SUS inspect their programs to ensure that curricula become transparent and thoughtful as to student learning outcomes, and that students have sufficient opportunities to achieve those expectations. The same is true of the dialogues that must take place, either by an entire institution or by the disciplines within it, relative to what will constitute mastery of core communication and critical thinking skills. Third, ALCs will maximize use of best-practice assessment tools (e.g., standardized examinations, portfolios, internship evaluations, oral defenses, juried performances, etc.). Fourth, ALCs will serve as a quality control balance to other of the measures. For example, an unintended negative consequence of increasing degree productivity could be to decrease the rigor of the degree, a consequence that the ALCs may counterbalance.

Measure Four: Number and percent of students from underserved populations who enroll in and complete a baccalaureate degree program

Increasing admittance to, progression through, and graduation from state universities by Florida's underserved populations continues as a top priority for the SUS. This measure also serves as a balance to the measure of degree productivity generally. This is also a measure with a history of reliable data with which to work. Measure Four responds to the legislative goal of "maximum access".

Measure Five: Graduation rates for first-time-In-college students and community college transfers

The rate of graduation is a traditional measure that has been associated with accountability reporting for well over a decade. At the same time, it is probably the most contentious measure from the institutional point of view. Some institutions worry that standard graduation rates do not adequately relate to the clientele they serve and that standard four-year rates attempt to measure a behavior, in large part, no longer in existence. Graduation rates also sometimes divert attention from the stronger Measure One—degrees granted—which is less subject to being gamed and represents real human beings walking across stages

with diplomas in hand. A high graduation rate for very few students would not necessarily be desirable. The actual means of calculation is still under discussion. Options include reporting on both four- and six-year rates for FTICs, and two- and four-year rates for community college transfers. Another option is to capture “successful persistence and progression,” that is, the number of students who move through Florida postsecondary education in good standing, even though many transfer in and out of different institutions. The latter calculation is probably possible in Florida owing to its data capabilities, but it would probably not allow for meaningful comparisons regionally or nationally.

Measure Six: Meet statewide professional and workforce needs in teacher preparation, the health professions, economic development, emerging technologies, and high-wage/high-demand jobs

This measure will track degree productivity in specific disciplines such as teacher preparation, engineering, nursing, information technology, and emerging technologies. Although the SBE may wish to focus on earnings of graduates, the BOG will use this measure to balance and control for potential unintended negative consequences of increasing degree productivity in general, and to bring pressure to bear on institutions to produce graduates in the most needed disciplines in Florida. Measure Six responds to the legislative goal of producing “an educated, relevant workforce.”

Measure Seven: Building world-class, academic research capacity and nationally recognized programs

This measure will utilize five subcomponents, four of which were recommended by the State University Presidents Association to capture world-class research capacity: (1) total research expenditures, (2) federal research expenditures, (3) doctoral degrees awarded, and (4) patents awarded. The fifth subcomponent is intended to identify and track other goals associated with specific academic program or research excellence, for example, working toward national ranking of specific academic disciplines, creation of a Center of Excellence, “Best Buys in America,” or other forms of national recognition.

State Board of Education Measures

There are other measures at the disposal of the Florida Legislature that may be considered for continued accountability reporting and/or for purposes of performance funding. These include measures adopted by the SBE, as well as 29 measures that have been reported on for the last few years as specified by the General Appropriations Act.

In the context of K-20 Accountability mandated by HB 915 in 2003, the SBE adopted a series of measures that, should the Florida Legislature choose, are available to consider. As stated previously, every effort was made by the BOG to accord with the SBE measures. In some cases the measures are exactly the same. In others, they address the same areas of concern but with different treatments. The SBE approved measures at the university sector level, with comments per BOG treatment, are as follows:

1. Number and percent of first-time-in-college students who make learning gains as measured by an external assessment aligned with a previous assessment, or an exit test. *(Comment: This measure is substantially different from the Academic Learning Compacts approved by the BOG.)*
2. Number and percent of students from underserved populations who enroll in and who complete a baccalaureate degree program. *(Comment: This measure is exactly the same as the BOG's measure.)*
3. Graduation rates for all entering students based on a 2-year and 4-year expectation; include provision for students who transfer in and out and for students who persist. *(Comment: This measure specifies 2- and 4-year rates, to which the BOG added 4- and 6-year rates and is considering other more comprehensive measures of successful persistence and progression.)*
4. Number and percent of former students whose earnings are within ranges established as appropriate for baccalaureate degree; categories and ranges identified by decisions of Workforce Estimating Conference. *(Comment: The BOG determined, rather, to focus on degree productivity in specific high-skill, high-wage, and critical need areas.)*
5. Show university return on investment as a ratio of the educational outcome represented by earning a degree divided by the money used to achieve the learning outcome. *(Comment: The BOG's treatment of the Legislature's goal of "quality, efficient services" focuses on building world-class academic and research capability.)*

Weighting of Measures and Attachment of Dollars

Whereas the Legislature's four key goals are an excellent means of formulating accountability measures, the BOG determined to also weight measures, because doing so is an indication of priorities. Accordingly, each member of the BOG was surveyed as to whether to weight measures and, if so, how much for each measure. BOG members were also queried as to whether they wanted to give universities the opportunity to weight measures according to institutional priority

and mission, and, if so, whether institutional weighting should carry as much weight as BOG determinations of weighting. Both the BOG and universities were asked to weigh measures using a scale of 1 to 3, the higher number indicating the higher priority.

The survey results were very clear. The BOG weighted measures and, in so doing, identified priorities with measures One (degree production), Six (degree production in specific workforce areas), and Seven (building world-class academic and research capacity) receiving the highest priority. Additionally, the BOG supported individual university weighting according to institutional priorities and mission, provided that BOG weighting was given more preference. This was accomplished by doubling each measure’s BOG average weight:

Measure	Weighted (X2)
Measure One – Degree Productivity	5.0
Measure Two – Licensure Pass Rates	4.0
Measure Three – Academic Learning Compacts	4.4
Measure Four – Underserved Populations	4.0
Measure Five – Graduation Rates	3.6
Measure Six – Skilled Workforce	5.0
Measure Seven – World-Class Programs	4.8

The tables below associate a dollar figure with each accountability measure for each institution. The BOG’s priorities are doubled in weight and remain constant for all institutions. To these are added institutional priorities at face value, from which is determined the percentage of the whole each measure represents. From that calculation, dollars are attached to each measure for each institution equating to that portion of each institution’s performance funding dollars as previously defined.

University of Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	16.06%	\$ 8,724,109
2. Licensure Pass Rates	4	3	7	14.06%	\$ 7,633,595
3. Academic Learning Compacts	4.4	1	5.4	10.84%	\$ 5,888,773
4. Underserved Populations	4	3	7	14.06%	\$ 7,633,595
5. Graduation Rates	3.6	3	6.6	13.25%	\$ 7,197,390
6. Skilled Workforce	5	3	8	16.06%	\$ 8,724,109
7. World-Class Programs	4.8	3	7.8	15.66%	\$ 8,506,006

Total	49.8	100.00%	\$	54,307,577
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Florida State University

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	16.39%	\$ 4,691,879
2. Licensure Pass Rates	4	3	7	14.34%	\$ 4,105,394
3. Academic Learning Compacts	4.4	2	6.4	13.11%	\$ 3,753,503
4. Underserved Populations	4	2	6	12.30%	\$ 3,518,909
5. Graduation Rates	3.6	3	6.6	13.52%	\$ 3,870,800
6. Skilled Workforce	5	2	7	14.34%	\$ 4,105,394
7. World-Class Programs	4.8	3	7.8	15.98%	\$ 4,574,581

Total	48.8	100.00%	\$	28,620,460
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Florida A&M University

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	17.86%	\$ 1,763,348
2. Licensure Pass Rates	4	2	6	13.39%	\$ 1,322,511
3. Academic Learning Compacts	4.4	1	5.4	12.05%	\$ 1,190,260
4. Underserved Populations	4	3	7	15.63%	\$ 1,542,930
5. Graduation Rates	3.6	1	4.6	10.27%	\$ 1,013,925
6. Skilled Workforce	5	2	7	15.63%	\$ 1,542,930
7. World-Class Programs	4.8	2	6.8	15.18%	\$ 1,498,845

Total	44.8	100.00%	\$	9,874,749
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University of South Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	17.09%	\$ 4,852,729
2. Licensure Pass Rates	4	1	5	10.68%	\$ 3,032,955

3. Academic Learning Compacts	4.4	1	5.4	11.54%	\$	3,275,592
4. Underserved Populations	4	3	7	14.96%	\$	4,246,137
5. Graduation Rates	3.6	2	5.6	11.97%	\$	3,396,910
6. Skilled Workforce	5	3	8	17.09%	\$	4,852,729
7. World-Class Programs	4.8	3	7.8	16.67%	\$	4,731,410

Total			46.8	100.00%	\$	28,388,462
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Florida Atlantic University

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total		Performance Budget Allocation
1. Degree Productivity	5	3	8	17.09%	\$	2,359,567
2. Licensure Pass Rates	4	3	7	14.96%	\$	2,064,621
3. Academic Learning Compacts	4.4	2	6.4	13.68%	\$	1,887,654
4. Underserved Populations	4	3	7	14.96%	\$	2,064,621
5. Graduation Rates	3.6	1	4.6	9.83%	\$	1,356,751
6. Skilled Workforce	5	2	7	14.96%	\$	2,064,621
7. World-Class Programs	4.8	2	6.8	14.53%	\$	2,005,632

Total			46.8	100.00%	\$	13,803,467
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University of West Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total		Performance Budget Allocation
1. Degree Productivity	5	3	8	17.86%	\$	1,039,565
2. Licensure Pass Rates	4	3	7	15.63%	\$	909,620
3. Academic Learning Compacts	4.4	1	5.4	12.05%	\$	701,706
4. Underserved Populations	4	2	6	13.39%	\$	779,674
5. Graduation Rates	3.6	1	4.6	10.27%	\$	597,750
6. Skilled Workforce	5	3	8	17.86%	\$	1,039,565
7. World-Class Programs	4.8	1	5.8	12.95%	\$	753,685

Total			44.8	100.00%	\$	5,821,565
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University of Central Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	17.09%	\$ 3,833,273
2. Licensure Pass Rates	4	3	7	14.96%	\$ 3,354,114
3. Academic Learning Compacts	4.4	2	6.4	13.68%	\$ 3,066,618
4. Underserved Populations	4	2	6	12.82%	\$ 2,874,955
5. Graduation Rates	3.6	2	5.6	11.97%	\$ 2,683,291
6. Skilled Workforce	5	2	7	14.96%	\$ 3,354,114
7. World-Class Programs	4.8	2	6.8	14.53%	\$ 3,258,282
Total			46.8	100.00%	\$ 22,424,647

Florida International University

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	17.47%	\$ 3,000,574
2. Licensure Pass Rates	4	2	6	13.10%	\$ 2,250,430
3. Academic Learning Compacts	4.4	2	6.4	13.97%	\$ 2,400,459
4. Underserved Populations	4	3	7	15.28%	\$ 2,625,502
5. Graduation Rates	3.6	1	4.6	10.04%	\$ 1,725,330
6. Skilled Workforce	5	2	7	15.28%	\$ 2,625,502
7. World-Class Programs	4.8	2	6.8	14.85%	\$ 2,550,488
Total			45.8	100.00%	\$ 17,178,285

University of North Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total	Performance Budget Allocation
1. Degree Productivity	5	3	8	18.69%	\$ 1,280,015
2. Licensure Pass Rates	4	2	6	14.02%	\$ 960,012

3. Academic Learning Compacts	4.4	1	5.4	12.62%	\$	864,010
4. Underserved Populations	4	1	5	11.68%	\$	800,010
5. Graduation Rates	3.6	2	5.6	13.08%	\$	896,011
6. Skilled Workforce	5	1	6	14.02%	\$	960,012
7. World-Class Programs	4.8	2	6.8	15.89%	\$	1,088,012
Total			42.8	100.00%	\$	6,848,082

Florida Gulf Coast University

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total		Performance Budget Allocation
1. Degree Productivity	5	3	8	18.69%	\$	672,989
2. Licensure Pass Rates	4	2	6	14.02%	\$	504,742
3. Academic Learning Compacts	4.4	2	6.4	14.95%	\$	538,391
4. Underserved Populations	4	1	5	11.68%	\$	420,618
5. Graduation Rates	3.6	1	4.6	10.75%	\$	386,969
6. Skilled Workforce	5	2	7	16.36%	\$	588,865
7. World-Class Programs	4.8	1	5.8	13.55%	\$	487,917
Total			42.8	100.00%	\$	3,600,491

New College of Florida

Measure	BOG Priority - Weighted	University Priority - Weighted	Total - Weighting	% of total		Performance Budget Allocation
1. Degree Productivity	5	1	6	14.02%	\$	156,251
2. Licensure Pass Rates	4	1	5	11.68%	\$	130,209
3. Academic Learning Compacts	4.4	3	7.4	17.29%	\$	192,709
4. Underserved Populations	4	1	5	11.68%	\$	130,209
5. Graduation Rates	3.6	2	5.6	13.08%	\$	145,834
6. Skilled Workforce	5	1	6	14.02%	\$	156,251
7. World-Class Programs	4.8	3	7.8	18.22%	\$	203,127
Total			42.8	100.00%	\$	1,114,590

Setting Standards and Goals

Standard and goal setting is necessarily complex for a university system with very different institutions. In an attempt to address that challenge, this report considers two relatively simple methods of standard and/or goal setting: using peer comparisons, and using comparisons against one's own past performance.

The first method involves identifying meaningful sets of peer institutions and setting individual institutional standards based on those peers. Although peer comparisons cannot be utilized for each and every SUS accountability measure, it is possible with most.

The second method, comparing an institution's progress against its own past performance, is an absolute key to a meaningful accountability system and the foundation on which goal setting should be constructed. Many of the seven BOG accountability measures allow for historical tracking (and all will over time), and by utilizing past performance a simple methodology can be created for goal setting. Thereafter, performance can be readily monitored and, accordingly, rewarded or sanctioned.

A methodology for simple and reasonable goal setting based on past performance is to create a target that moves toward a standard over time. When the standard is reached, the strategy becomes maintaining the standard. This is effected by (1) capturing a series of performances, for example, ten years (or twenty) of good data, (2) accounting for spikes in performance by discounting a proportion of high and low years, (3) averaging the remaining years, (4) using that average as a target of acceptable performance, with the assumption that (5) the number and the target changes yearly with slow and steady progress until such time as a performance standard is reached. This is an acceptable method of performance and goal setting assuming that an institution's performance is in the general area of acceptability in the first place. It does not work in setting targets and goals for graduation rates, as an example, if the institution's past performance is nowhere near a level of acceptability. This is where it becomes useful to set standards by making comparisons between institutions and their peers.

It will also be imperative to take into account the Board of Governors' target goals as articulated in its Strategic Plan. If the calculations and target setting accomplished via national comparisons and past performance data substantially under- or over-shoot BOG goals, reconciliation will be necessary.

Application to Funding

The primary purpose of the proposed accountability and performance funding system is to ensure that a percentage of university budgets are tied to progress toward institutional and strategic plans and that, accordingly, institutions may be rewarded for high performance by (1) receiving additional funds, or (2) having the greatest flexibility possible with respect to how funds are used; or sanctioned for low performance by (1) being restricted as to how funds may be expended, or (2) seeing their funds reallocated to a high performing institution. Notwithstanding details, definitions, etc to be worked out, this report recommends that the following core steps form a methodology for the application of performance funding to SUS accountability measures:

1. Using the system and institutional strategic plans as the starting point, set standards and goals for each measure for each institution.
2. Set time periods, consistent with data availability and the calendar for developing the annual budget request, for reporting on institutional performance to the Board of Governors Performance and Accountability Committee.
3. When data are available, determine performance against goals and, accordingly, apply sanctions or rewards:
 - a. If goals are unmet, a university must provide the Board of Governors Performance and Accountability Committee with an improvement plan that includes a delineation of how the performance dollars associated with the measure will be used to achieve that improvement. Technical assistance may be provided, and lower goals may be negotiated with the consent of the Board of Governors.
 - b. If goals continue to be unmet for a second year, the Board of Governors may pull dollars associated with the measure and reallocate that money within the SUS to achieve goals identified in its Strategic Plan. Decision regarding the reallocation of these funds will be based primarily on the performance of individual institutions on the accountability measures and proposals to better meet the BOG strategic goals.
 - c. If goals are exceeded in any given year, universities should be allowed to request associated new dollars in the subsequent Legislative Budget Request through an "Accountability Categorical." Additionally, these universities may submit proposals for the reallocation of any funds collected through accountability sanctions.
4. A Majority vote of the Board of Governors is needed to approve a performance reallocation from one institution to another, a restriction on an institution's use of dollars associated with performance funding, or an institution's

improvement plan. In reallocating or restricting dollars, or approving an improvement plan, the Committee will consider

- the seriousness of an institution's shortfall from goal;
- the number of years an institution has fallen short of a goal;
- the potential benefits of reallocation to an institution with higher performance;
- the potential benefits of restricting the dollars associated with an institution's performance funding;
- the quality of a higher performing institution's proposal for additional funds to meet BOG strategic goals;
- the cost-effectiveness of the tradeoff given the proposal from the higher performing institution;
- the possible negative consequences of a reallocation;
- the resources that have been available to the system and the individual institution.