

Performance-Based Funding Study

An Updated Performance-Based
Funding Model
October 3, 2019





Table of Contents

Introduction.....	Page 3
Background.....	Page 3
A Plan for the System: Advance and Strengthen.....	Page 4
Summary.....	Page 7
Appendix 1.....	Page 8

Introduction

The 2019 Legislature approved proviso language in the 2019-20 General Appropriations Act requiring the Board of Governors (the Board) to submit recommendations for future implementation of the State University System performance-based funding model.

From the funds provided in Specific Appropriations 160 through 167, the Board of Governors, in consultation with the state universities, shall develop recommendations for future implementation of separate and distinct performance-based funding models with benchmarks and metrics for (1) preeminent universities, (2) emerging preeminent universities, (3) regional universities and (4) mission-specific universities. The model should recognize each university's continuous improvement and achievement of institutional and national excellence. The Board of Governors shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 1, 2019. The implementation of any recommendations shall not occur unless affirmatively enacted by the Legislature.

Chapter No. 2019-115, Laws of Florida

Background

The Board of Governors adopted a Performance-Based Funding Model for the State University System (SUS) in 2014 based on a series of metrics. Policies and procedures for the implementation of the model were codified in Florida Law and in subsequent Board regulation. Since the implementation of the model, state funding for the SUS has significantly increased. See Table 1.

Table 1

Fiscal Year	State Investment	Institutional Investment	Total
2014-15	\$100,000,000	\$100,000,000	\$200,000,000
2015-16	\$150,000,000	\$250,000,000	\$400,000,000
2016-17	\$225,000,000	\$275,000,000	\$500,000,000
2017-18	\$245,000,000	\$275,000,000	\$520,000,000
2018-19	\$265,000,000	\$295,000,000	\$560,000,000
2019-20	\$265,000,000	\$295,000,000	\$560,000,000

The current Performance-Based Funding Model includes 10 metrics that evaluate the institutions on a specific range of issues. Two of the 10 metrics are Choice metrics; one picked by the Board and one by the university boards of trustees. These metrics were chosen after reviewing over 40 metrics identified in the University Work Plans. The model has four guiding principles: 1) use metrics that align with SUS Strategic Plan goals, 2) reward Excellence or Improvement, 3) have a few clear, simple metrics, and 4) acknowledge the unique mission of the different institutions.

Key components of the model:

- Institutions will be evaluated on either Excellence or Improvement for each metric.
- Data is based on one-year data.
- The benchmarks for Excellence are based on the Board of Governors 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for Improvement are determined after reviewing data trends for each metric.
- The Florida Legislature and Governor determine the amount of new state funding and an amount of institutional funding that would come from each university's recurring state base appropriation.

In subsequent years, since the implementation of the Performance-Based Funding Model, the Board has annually reviewed the components of the model and its impacts on the state universities and has made adjustments to the metrics based on its review and on recommendations of the Legislature. At its August 2019 meeting, the Board approved a major study directed by the 2018 Legislature to provide recommendations to achieve a complete performance-based continuous improvement model that is focused on outcomes and the equitable distribution of performance funds. This report provides a historical review of the model and displays the System's continuous improvement in performance on each of the metrics, including student retention, graduation, degree production, employment, and affordability. <https://www.flbog.edu/finance/performance-based-funding/>

Higher education leaders, nationally and globally, have debated the classification and categorization of universities for centuries and have attempted to group institutions according to a variety of indices, including governance, mission, enrollment, level and number of degrees awarded, number and mix of academic programs, faculty quality, research activity, endowment, and community outreach, to name a few. Within today's complex higher education delivery system, however, efforts to identify a specific category for a postsecondary institution may result in vague or erroneous groupings.

Two meetings were held over the summer with university leaders and Board staff on the merits and limitations of four distinct performance models and specifically how nine non-preeminent universities would fall into a specific category of institutions. It is generally believed that in Florida's dynamic State University System, all institutions offer a comprehensive and distinctive array of academic programs and educational services based on each institution's stated mission and strategic goals. Accordingly, the Board does not support a categorization of institutions that would limit both the institution's pursuit of their mission and its overall impact on its community and region.

A Plan for the System: Advance and Strengthen

In its 2025 Strategic Plan for the State University System, the Board of Governors expressed, as a guiding principle, its intent to continue to identify and affirm the distinctive mission and contributions of each state university and recommitted to build upon each institution's *"individual strengths and unique missions as each one claims its rightful place on the national and international stage."* The Board continues to believe that each of the 12 institutions in the State University System are equally and uniquely critical to the state's workforce, economy, and prosperity.

The achievements of the state universities in the past six years in meeting and surpassing performance metrics have positioned the State University System to further advance and strengthen. To promote and accelerate continued excellence in state university performance, the Board has adopted a new and exciting structure to frame and support future legislative funding requests for the SUS. The tripartite approach emphasizes three distinctive Pillars of Excellence that will provide the opportunity for the SUS to request state funding to support state universities to achieve in three areas of excellence: Performance-based Funding, Preeminence/National Rankings Funding, and Universities of Distinction. See Table 2.

Table 2

Pillars of Excellence

<u>Performance-based</u>	<u>Preeminence/National Rankings</u>	<u>Universities of Distinction</u>
<ul style="list-style-type: none"> - All universities participate - Basic blocking and tackling - Excellence and continuous improvement - Retention, graduation rates, degree production, jobs - Funds allocated based on PBF plan 	<ul style="list-style-type: none"> - Preeminent universities participate - Focus on national rankings - Increase research - Increase endowments thru giving - World class faculty - Funds allocated by the Legislature 	<ul style="list-style-type: none"> - Non-preeminent universities participate - Focus on core competence to build to excellence - Specific metrics that builds excellence - Meet current and future workforce needs - Funds allocated based on metrics determined by the Board of Governors

Performance-based Funding

The Performance-based Funding Model enables each university to earn state funds based on excellence or continuous improvement. As previously stated, all universities are annually evaluated on a set of 10 metrics that are critical to the achievement of institutional and system strategic goals, and national measures of excellence and performance can result in additional state funds to advance their efforts.

Since its inception in 2014, the Performance-based Funding Model has produced results as significant improvements in university performance have been realized. Nearly every institution is showing strong improvements in four-year graduation rates; the SUS average is now 52.6 percent, exceeding the strategic plan goal of 50 percent. Many of the SUS strategic plan goals have been met or are within a few percentage points of being met. The universities have also made continuous improvements in metrics resulting in reductions in the costs to the university students. The Model has proven to be an effective way to significantly improve goals identified in the Board's State University System 2025 *Strategic Plan*. With the implementation of a new allocation methodology in 2019, the Model emphasizes continuous improvement focused on metric outcomes and provides an equitable distribution of the funding. With 25 percent of the State University System's base budget at risk in the Model, the universities continue to have incentive to invest in improving their performance-based funding outcomes.

Preeminence/National Rankings Funding

The 2013 Legislature established the Preeminent State Research Universities Program to recognize and reward state universities who achieve preeminent status based on the attainment of 11 or more of 12 metrics that focus on academic and research excellence. The 12 metrics, identified in statute, include student quality and student success (including graduation and freshman retention), faculty quality and post-doctoral support, research productivity, endowment/private funding, and national rankings in some of these categories.

Three state universities have achieved preeminence status: Florida State University, the University of Florida, and the University of South Florida, and the additional legislative appropriations have enabled these universities to build on their strengths and continue to invest in student success initiatives and in world-class student and faculty talent. Additionally, each of the preeminent universities have significantly advanced in national rankings of high quality universities. See Table 3. Since its inception, the preeminence funding program has continued to elevate the academic and research achievements of Florida's highest performing state research universities. The 2019 Evaluation of Preeminent Research University metrics can be found in Appendix 1.

Table 3

UF
✓ Since 2014, only one institution ranked in the top 15 jumped more spots than UF (+7, #14 to #7)
FSU
✓ Since 2014, no institution ranked in the top 50 jumped more spots than FSU (+22, #40 to #18)
USF
✓ Since 2014, no institution ranked in the top 100 jumped more spots than USF (+50, #94 to #44)

Universities of Distinction

The Universities of Distinction program will provide state funds to enable non-preeminent universities to attain national excellence in a core competency. Specific goals for this program are to encourage these universities to:

- Focus on a core competency unique to the System or university and one that achieves excellence at the state or national level;
- Meet state workforce needs now and into the future, including needs that may further diversify Florida's economy; and
- Foster an innovation economy that focuses on areas such as health, security, and STEM.

For this program, each university will submit a proposal to the Board of Governors identifying the program that is a core competence, that is unique to the institution, and is capable of reaching national and/or state excellence. The proposal will need to demonstrate the plan to take an existing core academic program and leverage it towards excellence at the System level and national level. Additionally, the university will identify metrics that will measure success and progress toward meeting the key goals of the program. Along with a detailed spending plan, a critical consideration for the Board will be how each submitted proposal addresses current and future workforce needs and focuses on producing high-quality talent.

Summary

The Board of Governors recognizes the tremendous impact of the Performance-based Funding Model and the Preeminence Funding program on the State University System's rise to national prominence and fully supports the statutory process that enables state universities to pursue and achieve preeminence. Moving forward, the Board will increasingly provide clarity and significance to the SYSTEM as one cohesive entity and, at the same time, will continue to recognize and support the unique mission and strengths of each of the 12 state universities.

The Board of Governors has proposed a 2020-21 legislative budget request for the State University System for the three Pillars of Excellence. The Pillars of Excellence will serve to prioritize the academic performance and strength of the System, while enabling each university to promote and request funding to advance their individual strategic goals and core competencies that address the Board's Strategic Plan.

Preeminent Research University: 2019 Evaluation

CRITERIA	MEASURE	SOURCE	YEAR	BENCHMARK	FIU	FSU	UCF	UF	USF TAMPA
A	Average GPA and SAT Score for 2 subtests for incoming freshman in Fall semester	Board of Governors	Fall 2018	4.0 GPA 1200 SAT	4.1 1257	4.2 1314	4.1 1326	4.4 1355	4.1 1296
B	National University Rankings	See footnotes	Feb. 2019	Top 50 in 2 or more publications	0	7	3	10	4
C	Freshman Retention Rate (Full-time, FTIC)	IPEDS	2017-18	≥90%	90%	93%	90%	96%	91%
		Board of Governors	2017-18	≥90%	90%	92%	90%	96%	91%
D	4-year Graduation Rate (Full-time, FTIC)	IPEDS	2012-16	≥60%	29%	66%	44%	68%	55%
		Board of Governors	2014-18	≥60%	39%	72%	46%	67%	61%
E	National Academy Memberships	Academy Directory	2019	6	6	8	6	29	14
F	Total Annual Research Expenditures (Science & Engineering only)	National Science Foundation	2017-18	≥\$200 M	\$166	\$267	\$176	\$831	\$525
G	Total Annual R&D Expenditures in Non-Health Sciences (Science & Engineering only)	National Science Foundation	2017-18	≥\$150 M	\$153	\$241	\$165	\$506	\$296
H	National Ranking in Research Expenditures in at least 5 STEM disciplines as reported by NSF (includes public & private institutions)	National Science Foundation	2016-17	5 in Top 100	5	7	7	7	7
I	Patents Awarded (over 3 year period)	US Patent Office	2016-18	≥100	126	115	147	319	335
J	Doctoral Degrees Awarded Annually includes Research Doctoral Degrees and Medical/Health Professional Doctoral Degrees	Board of Governors	2017-18	≥400	404	557	438	1,627	702
K	Number of Post-Doctoral Appointees	Top American Research Universities	Fall 2015	≥200	75	202	51	679	282
		Board of Governors	Fall 2017		222	225	94	640	276
L	Endowment Size (\$M)	Board of Governors	2017-18	>\$500 M	\$209	\$681	\$163	\$1,735	\$480
NUMBER OF CURRENT CRITERIA MET: (based on section 1001.7065, F.S.)					8	12	8	12	11

Note: There are two sources listed for criteria C, D, and K because the 2019 Florida Legislature amended the allowable sources for this year's evaluation/designation (see Section 35 in HB7071).



STATE UNIVERSITY SYSTEM OF FLORIDA





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