



Executive Committee Meeting

Boardroom, First Floor
Administration Building
Dixon University Center
2986 North Second Street
Harrisburg, PA 17110-1201

Thursday, January 20, 2011

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Executive Committee Meeting
January 20, 2011

SUBJECT: Revisions to Performance Funding Program (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: PASSHE's accountability and performance funding program, originally established by the Board of Governors in January 2003, has been the driver for University and System change to better serve students and the Commonwealth. Since the inception of this program and in conjunction with other policy tools, improvements across the System have been achieved in retention and graduation rates; diversity of students, faculty and administrators; program quality; and faculty productivity. The current program (1) incorporates both quantitative data and qualitative information and (2) monitors university performance over time in comparison to peer institutions and against System performance targets. This design has created a culture of accountability throughout the System and the universities. As such, it has served as a national model for accountability and institutional improvement.

To enhance these successes, a review of the program has been conducted, resulting in the attached proposed improvements to ensure each university and the System as a whole continues to achieve desired outcomes. These recommendations center on improving student success, increasing access to PASSHE Universities, and ensuring stewardship of public resources. To achieve the principles within these three themes, each institution will commit to ten performance indicators for the next five years. Five of the indicators will be the same for all universities; the remaining five will vary by University, recognizing institutional differences. University performance will be measured based upon institutional improvement and national standards/goals or peer comparisons. These measures align with the requirements of Middle States Association/Commission on Higher Education and with national accountability efforts, including Middle States accreditation, Voluntary System of Accountability (VSA) requirements, and the EdTrust/NASH Access to Success initiative. Performance funding will be distributed to Universities for each measure that the performance expectations have been met.

MOTION: That the Board of Governors approve the attached recommendations for PASSHE's Performance Funding Program.

Supporting Documents Included: Performance Funding Program Recommendations

Other Supporting Documents Available: Board of Governors' January 2003 meeting materials

Reviewed by: Council of Presidents, December 15, 2010

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Pennsylvania State System of Higher Education Performance Funding Program Recommendations

Conceptual Framework

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 our 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 work force.

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 use 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 will 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.

Selection of Performance Measures/Indicators

To achieve the principles within the three themes, each institution will commit to ten performance indicators for the next five years. The performance measures are organized into three groups. Each university has the

	Groups	Student Success	Access	Stewardship
I: Mandatory		Two indicators on which all universities are measured	Two indicators on which all universities are measured	One indicator on which all universities are measured
II: Must pick 3-5 At least 1 must be Stewardship		Several indicators from which universities may choose 0-4	Several indicators from which universities may choose 0-4	Several indicators from which universities must choose at least 1
III: University-specific No more than 2		Universities develop 0-2 indicators. Indicators do not have to be associated with these three themes. Chancellor approves University-specific measures.		

opportunity to choose its measures within limitations. All the universities will be responsible for the five performance indicators in Group I. The universities will select the remaining five performance measures from Groups II and III. 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.

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 numbers of FTE students, budgets, etc. Institutional goals, established in concert with the Office of the Chancellor, will take into consideration each University's historical trends, overall performance levels, and reasonable expectations for improvement. University performance will be measured either as meeting or not meeting each performance target; there will no longer be a three-tiered assessment of performance on each target (e.g., exceeding performance will no longer be used). All indicators and goals must be established by June 2011 to be used for the 2011-2012 award year.

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. To maintain a reasonable performance funding pool that will continue to encourage performance, it is proposed that the performance funding pool be established as equal to approximately 2.4% of PASSHE's total E&G revenue, which is roughly equivalent to the current performance funding level. The performance funding pool will continue to be funded completely from state appropriations. Several options for the distribution of these funds were considered. The recommended distribution method is 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, to adjust for institutional size.
- 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 Year

Performance funding awards to be distributed in 2010-2011 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 the 2011-2012 award year. The following indicators will be used, with some slight modifications.

Degrees Awarded

Second-Year Persistence

Graduation Rates

Credit Hour Productivity (in the absence of the Common Cost Accounting Report, calculations will be based on course data submissions)

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 2010-2011 will be based upon the new distribution methodology, presented above.

Performance Indicators

The mandatory and optional indicators for each theme are summarized below.

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 (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:

1. Deep Learning Scale Results-National Survey of Student Engagement (NSSE) (1.0)
2. Senior Survey-National Survey of Student Engagement (NSSE) (1.0)
 - a. Academic challenge (.20)
 - b. Active/collaborative learning (.20)
 - c. Student/faculty interaction (.20)
 - d. Enriching educational experiences (.20)
 - e. Supportive campus environment (.20)
3. Student Persistence (1.0)
 - a. Overall percentage of students returning for a third academic year (.50)
 - b. Overall percentage of students returning for a fourth academic year (.50)
4. Value-Added-Senior CLA, CAAP, or ETS® Proficiency Profile Scores (1.0)
5. STEM Degree Recipients-Percentage of university degree recipients in high need programs such as science, technology, engineering, and mathematics (STEM) or health care (1.0)

Access

Group I: Two measures

1. Closing the Access Gaps (1.0)
 - a. Closing the Gap for Pell Recipients (.50)
 - b. Closing the Gap for Underrepresented Minority Students (URM) (.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 tenured faculty who are female (.50)

Group II: Universities can select from the following:

1. Faculty Career Advancement (1.0)¹
 - 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)
2. 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)
3. Student Experience with Diversity and Inclusion-Measured by average of the combined scores on applicable NSSE items (1.0)

¹ Need to be careful about limit on full professors and distribution across disciplines/departments.

4. 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)

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:

1. Facilities Investment-Composite measure of annual stewardship, operating effectiveness, and quality of service in the physical plant arena, as measured by the annual Sightlines Return on Physical Assets (ROPA) Study (1.0)
2. Administrative Expenditures as Percent of Cost of Education (1.0)
3. Credit Hour Productivity-Student credit hours as ratio of total FTE faculty (1.0)
4. Employee Productivity-FTE student/FTE employee (faculty and staff) (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.

**Executive Committee Meeting
January 20, 2011**

SUBJECT: Strategic Planning Process (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: The Board of Governors approved *PASSHE Strategic Initiatives* on October 13, 2010, from which to develop a more comprehensive strategic plan for the System. A steering committee composed of Board members, University Presidents or their designee, President of the Pennsylvania Association of Councils of Trustees (PACT), and Office of the Chancellor executive staff will coordinate the plan creation. In developing the plan, Commonwealth and university constituencies will be engaged. The plan will be a broad, high-level document and will provide a framework for ongoing university and Office of the Chancellor planning.

MOTION: That the Board of Governors appoint a Steering Committee for the development of the System's five year strategic plan based on *PASSHE Strategic Initiatives*.

Supporting Documents Included: *PASSHE Strategic Initiatives*

Other Supporting Documents Available: None

Reviewed by: N/A

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PASSHE Strategic Initiatives

Context

Throughout its twenty-seven year history, PASSHE has been guided by a series of strategic plans which have identified goals for performance and service excellence. PASSHE's most recent strategic plan, *Leading the Way*, expired in 2009. Much has changed since its adoption and the need for a new vision is critical if PASSHE universities are able to play an ever-growing role in the Commonwealth's future. *PASSHE Strategic Initiatives* serves as the outline of the major strategic initiatives for the System that will frame the next strategic plan for adoption by the Board of Governors. As individual campuses revise their strategic plans in the interim, this document will inform that process. Additionally, it will inform the revised outcomes-based performance funding model.

PASSHE Strategic Initiatives is grounded in the System's mission, "to be among the nation's leading systems of public universities, recognized for (1) access and affordability of excellent undergraduate and graduate education; and (2) responsiveness to state, regional, and national needs through quality academic programs, research, and service." PASSHE's focus has always and will continue to be focused on our students, and on how to ensure that the experiences they have are the most enriching possible.

PASSHE Strategic Initiatives is predicated on the need for transformation: in how, when, and where learning occurs; in how the resources necessary to ensure learning need to be recruited, retained, and sustained; in how our universities relate to their various communities; and in how we partner with the Commonwealth in creating and delivering a shared vision of the future. Only through such transformation, grounded in thoughtful re-examination of our traditional ways of conducting ourselves, will we be assured of thriving in these very difficult economic times.

The Strategic Initiatives

The four strategic areas are:

- Transforming students and the learning environment
- Transforming resources
- Transforming university-community relations
- Transforming PASSHE's role in determining the Commonwealth's future

Each of these areas will incorporate several key goals that will be the focus of ongoing and planned efforts by individual universities and/or the Office of the Chancellor. Examples of goals under each initiative are not meant to be exhaustive, but reflective of the highest priorities for the betterment of our students and the citizens of the Commonwealth.

PASSHE Initiative 1: Transforming Students and the Learning Environment

To be successful in the 21st century, students must be prepared for lifelong learning, a habit of the mind that will force them to continually refresh their content knowledge. To ensure this outcome, PASSHE must lead the way in changing the way students learn, faculty teach, and courses are delivered. To achieve this will require us to provide state-of-the-art support services. To meet its educational mission, PASSHE must ensure that the students who learn in its universities reflect the diversity of the communities from which they come, and that the faculty and staff who teach and support them do as well. Additionally, the physical spaces in which learning occurs and the means by which information and courses are delivered must adapt and be more flexible. Goals in this area include ensuring quality and currency in academic programs and services; expanding greater inter-university collaboration; employing technology and designing facilities to enhance teaching and learning; and providing evidence of student learning and achievement.

PASSHE Initiative 2: Transforming Resources

The human and financial resources necessary to create the highest quality learning opportunities for our students need to be identified and provided. PASSHE prides itself in being a national leader in 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. Close collaboration with the General Assembly and the Governor will be essential to ensure that PASSHE universities are afforded the same opportunities for revenue creation as other publicly-funded institutions. Investment in our faculty and staff through professional development programs will be even more important as a means to retain and sustain our talent. Goals in this area include creating an inclusive environment in which our diverse students, faculty, and staff can thrive; implementing best practices in teaching and learning; enhancing institutional flexibility; and increasing private fundraising while diversifying financial resources to support our mission.

PASSHE Initiative 3: Transforming University-Community Relations

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 the myriad ways that respect and utilize 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. All core constituency groups (students, staff, and faculty) must work together with local, regional, national, and international communities to ensure that each of us leaves the situation better than we found it. Goals in this area include enhancing community and regional engagement; expanding opportunities for workforce development; and fostering local and regional economic and community development.

PASSHE Initiative 4: Transforming PASSHE's Role in Determining the Commonwealth's Future

As the Commonwealth's universities, PASSHE institutions have a special relationship with it. As a result, we have an obligation to ensure that the strategic needs of the Commonwealth are our focus, and that PASSHE plays an appropriate role in creating the policy and direction for the state's future. This means that PASSHE must be part of the vision of the future, and have a significant role in creating and delivering it. Goals in this area include expanding capacity for public policy development; capitalizing on the broadband initiative for educational, health, and economic improvement; and aligning academic programs at all levels with the Commonwealth's strategic needs.