



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #635

Performance Funding and Report Cards (UW System)

[LFB 2017-19 Budget Summary: Page 457, #1]

CURRENT LAW

The Board of Regents is responsible for allocating state general purpose revenue provided through the UW System's general program operations appropriation to UW institutions.

The Board of Regents and the UW-Madison Chancellor are required to submit annual accountability reports to the Governor and the Legislature. Those reports must include specific information in the following categories: (a) performance; (b) financial; (c) access and affordability; (d) undergraduate education; (e) graduate and professional education; (f) faculty; (g) economic development; (h) collaboration; and (i) incentive grants.

GOVERNOR

Provide \$21,250,000 GPR annually through the UW System's general program operations appropriation and specify that, beginning in the 2017-18 fiscal year, these funds would be distributed based on a plan developed by the Board of Regents and approved by the Secretary of the Department of Administration (DOA). The bill would define the amount of funding allocated for making distributions in a fiscal year under the plan approved by the DOA Secretary as performance funding. Require the Board of Regents to submit a plan for distributing the performance funding based on each institution's rank on criteria specified in the bill and criteria specified by the Board to the Secretary of the DOA no later than January 1, 2018. Specify that the plan would include the Board's method for ranking performance regarding each set of performance criteria specified in the bill and by the Board. The DOA Secretary would have 30 days to approve the plan or to require the Board to submit a revised plan. If the Board is required to submit a revised plan, the DOA Secretary would have 30 days to approve the plan or require another revised plan. The Board could not implement a plan for the distribution of the

performance funding until such a plan was approved by the DOA Secretary. If the Board is unable to distribute the performance funding provided in the 2017-18 year, the Board would be required to distribute the entire amount of performance funding provided in the 2017-19 biennium, \$42,500,000, in the 2018-19 year. The Board may only distribute the performance funding as specified in the plan approved by the DOA Secretary and may not otherwise spend the performance funding.

The bill would require the Board to rank each institution's performance on five sets of criteria for each fiscal year and specify the proportion of the performance funding that would be distributed to the institutions based on their relative ranking on criteria in that set. The five sets and the proportion of the performance funding that would be distributed based on the criteria in that set are as follows: (1) affordability and attainability, 30%; (2) work readiness, 15%; (3) student success in the state workforce, 30%; (4) efficiency, 10%; and (5) service, 5%. The remaining 10% of the performance funding would be distributed based on each institution's rank on two additional criteria specified by the Board. The bill would specify between one and eight criteria within each of the five sets and require the Board establish a formula for distributing the proportion of the performance funding provided to be based on an institution's ranking on criteria in that set and the two criteria specified by the Board. Each formula would ensure that an institution receives a distribution that is greater than any other institution with a lower ranking. Specify that in ranking institutional performance and establishing formulas for the distribution of the performance funding, the Board would control for the number of students enrolled at each institution so that institutions with larger enrollments are not advantaged over institutions with smaller enrollments.

The affordability and attainability criteria would be: (1) the average length of time for students to obtain each degree awarded by the institution; (2) participation in dual enrollment programs; (3) percentage of students who were awarded degrees who completed degree requirements within three years; (4) percent of students who were awarded degrees who completed degree requirements within four years; (5) percentage of students who were awarded degrees who completed degree requirements within six years; (6) percentage of students awarded degrees in healthcare, science, technology, engineering, or mathematics; (7) the graduation rate of low-income students as determined in a manner specified by the Board; and (8) faculty instructional hours. The bill would define dual enrollment programs as programs or courses of study designed to provide high school students the opportunity to gain credits in both a high school and a university or UW Colleges campus. These programs would include transcribed credit programs or other education services provided by contract between a school district and a university or UW Colleges campus and the early college credit program.

The work readiness criteria would be: (1) the average number of high-impact practices experienced at any time during undergraduate enrollment by bachelor's degree graduates; and (2) the percentage of students who participated in internships at any time during their undergraduate enrollment. The bill would define high-impact practices as techniques and designs for teaching and learning that the Board has identified as proven to be beneficial for student engagement and successful learning among students from many backgrounds.

The student success in the state workforce criteria would be: (1) the percentage of students

awarded degrees who obtained full-time postgraduate employment; (2) the percentage of students awarded degrees who obtained full-time postgraduate employment in a field related to the degree awarded; (3) the percentage of the state workforce, defined by the bill as the number of state residents aged 25 to 64, who graduated from the institution in the five prior fiscal years; (4) the percentage of students awarded degrees who are employed or continuing their education within one year of graduation; and (5) the number of degrees awarded by the institution that are in high-demand fields. Under the bill, the Department of Workforce Development would determine what constitutes high-demand fields and revise the determination as necessary.

The service measures would be: (1) the number of state residents served by the UW-Extension and outreach programs at the institution; and (2) expenditures at the institution on student community service programs that do not award academic credit. Efficiency would be measured by each institution's performance in minimizing expenditures for supplies, services, personnel, and other administrative expenses.

Provide that the Board could substitute different criteria to apply to the UW Colleges if the Board determines that different criteria are appropriate for evaluating the performance of the UW Colleges. The Board could also exempt the UW Colleges from any ranking and distribution of the performance funding if the Board determines the criteria should not apply to the UW Colleges.

Specify that, beginning in the 2018-19 fiscal year, the Board of Regents would require each institution to prepare an evaluation designated as the "performance funding report card." The performance funding report card would summarize the institution's performance during the prior fiscal year with respect to the performance criteria identified by the bill and specified by the Board and other metrics specified by the Board. If the Board specifies other metrics that should be reported by the institutions, those metrics would apply to all institutions. The performance funding report card prepared by each institution would compare the performance of the institution on those criteria and metrics to the performance of the other UW institutions. The Board may require the institutions to include additional information in their performance funding report cards including the information the Board and the UW-Madison Chancellor are required to include in their current law annual accountability reports regarding performance, access and affordability, undergraduate education, graduate and professional education, and faculty. Specify that each institution's performance funding report card would be prepared in a single-page format specified by the Board, would be accessible via a prominent link on the institution's Internet home page, and would be updated as necessary at the end of each semester.

In addition, require the Board to publish data on the UW System's online accountability dashboard regarding each institution's performance with respect to the performance criteria identified by the bill and specified by the Board and any other metrics included in each institution's performance funding report card as specified by the Board.

DISCUSSION POINTS

1. The UW System uses a "base plus" model to allocate GPR funding amongst its

institutions. Under this allocation model, the amount of GPR funding provided to each institution is based on the amount of funding provided to the institution in the previous year and any funding adjustments approved by the Legislature in the biennial budget. Additional GPR provided to fund salary and fringe benefit cost increases are distributed based on each institution's share of these costs. Funding provided for specific initiatives, such as the funding provided for the UW System "growth agenda" in the 2007-09 biennium, is allocated to the institutions based on the proposal approved by the Legislature. Reductions in GPR funding for the UW System, which have been included in each of the four most recent biennial budgets, have been allocated to the institutions based on each institution's combined GPR and tuition budget excluding debt service, utilities, financial aid, separately budgeted tuition, and UW-Extension credit programs. In the 2015-17 biennium, the \$25 million in GPR funding for the UW System that was restored by the Joint Finance Committee (compared to the Governor's initial proposed reductions) was to be allocated to the institutions that were most impacted by the GPR base reduction.

2. The UW System has studied alternative methods of allocating GPR funding to its institutions. A study of resource allocation was conducted from 2004 to 2006 and a fund allocation work group met from 2013 to 2014. Both groups recommended that the UW System's current fund allocation model remain unchanged. An internal work group has been developing a new fund allocation model for the UW System since 2015. According to UW System staff, the new fund allocation model will be used to allocate a portion of GPR funding to the institutions beginning with the 2017-18 annual budget, which may be approved by the Board of Regents in July, 2017. No additional information has been provided about the new allocation model.

3. According to a report from the National Conference of State Legislatures from July, 2015, 26 states had implemented performance-based funding for public four-year colleges and universities. Six additional states, including Wisconsin, had implemented performance-based funding for two-year or technical colleges, but not four-year institutions. States that have not implemented performance-based funding for four-year institutions generally distribute funding to those institutions using a "base plus" model, similar to the UW System, or a funding formula based on enrollment, physical space, or other factors. States that have implemented performance-based funding often only distribute a portion of the funding provided for four-year institutions based on performance. The remainder of state funding for those institutions is generally distributed using an enrollment-based funding formula or some other mechanism.

4. One of the rationales for the adoption of performance- and outcome-based higher education funding formulas in other states has been to encourage degree completion. Many states use, or have used, an enrollment-based formula to distribute funding for institutions of higher education. These formulas provide an incentive to higher education institutions to enroll students, but do not provide any incentives to institutions to ensure that students make timely progress towards and complete degrees. The UW System does not distribute funding to UW institutions based on enrollment; however, UW institutions do have a financial incentive to enroll more students as this would increase tuition revenues. Tuition revenues currently make up 23.2% of the UW System's budget while state GPR makes up 17.1%. The distribution of state funds based on measures of student progress and completions could be viewed as a means of counterbalancing the inherent incentive to enroll more students.

5. The Washington State Auditor's Office performed a performance audit of higher education performance-based funding models in other states to inform options for public four-year higher education institutions in that state. According to the auditor's report, the metrics included in a state's performance-funding model reflect the various policy goals of those states. The Governor's budget does not explicitly define any policy goals that the performance-funding model is meant to achieve; however, based on the metrics included these goals may include: (a) reduce the time-to-degree; (b) increase participation in dual enrollment programs; (c) increase the number of degrees awarded in science, technology, engineering, and mathematics (STEM), healthcare, and other high demand fields; (d) increase the graduation rate of low-income students; (e) increase the number of students participating in internships and high-demand practices; (f) increase the number of graduates who are employed or who are continuing their education; (g) increase institutional efficiency; and (h) increase the number of state residents served by outreach programs. In addition to these policy goals, goals in other states have included: (a) increase degrees completed; (b) encourage student progress; (c) close access gaps between student subgroups; (d) close achievement gaps between student subgroups; (e) improve quality of education; (f) promote research and development; (g) increase private funding; (h) increase faculty and professional staff diversity; and (i) improve operations and maintenance. As an alternative, the Committee could define policy goals for the UW System and require either the Board of Regents or an independent task force to develop a performance-based funding formula that is aligned with those goals.

6. Requiring the Board of Regents or an independent task force to develop a performance-based funding formula, instead of approving the performance criteria and weights included in the Governor's budget, would allow for additional input from UW institutions and other stakeholders. Institutional participation in the process of developing performance metrics and performance-based funding formulas has consistently been identified as a best practice. According to the Washington auditor's report, ". . . states should engage institutions in a meaningful and authentic way to avoid delays and dissatisfaction with implementation. Higher education institutions should help determine performance metrics and benchmarks rather than having them legislated or mandated." A paper written by a professor at the University of Northern California similarly noted that, ". . . it is important to gain widespread support from colleges prior to implementation" to "increase the chances that a performance-funding regime will have staying power." That paper also noted that state board members, legislators, institutional leaders, businesses, and major philanthropists or foundations may be involved in the process of developing performance funding programs. The involvement of institutions and other stakeholders in developing a performance-based funding formula was also identified as a best practice by the Education Policy Center at the University of Alabama, and HCM Strategists, a consulting firm based in Washington, D.C., that has worked with states that are considering or implementing performance funding for higher education.

7. The Washington auditor's report also identified five leading practices for developing metrics. According to the report, metrics should: (a) address the quality of student education; (b) account for differences in institutional mission; (c) ensure continued student access and equity; (d) recognize the importance of student progress and completion rates; and (e) identify and address potential unintended consequences of metrics.

8. If funding is distributed to institutions based on the number of degrees awarded or

graduation rates, institutions may be encouraged to restrict access by only enrolling those students who are most likely to succeed or by relaxing degree requirements. Many states have addressed the first issue by either distributing a portion of the funding provided based on degrees awarded to or graduation rates of student subgroups who have historically been less likely to graduate or weighting degrees earned by those students in those subgroups more heavily than degrees earned by other students. Such subgroups include low-income students, usually defined as Pell grant recipients, underrepresented minority students, transfer students, students over the age of 25, and students requiring remediation. Under the bill, some portion of the performance funding would be distributed to institutions based on the graduation rate of low-income students. The Committee may wish to add similar measures regarding other student subgroups who historically have had lower graduation rates to encourage institutions to continue to enroll, and graduate, those students.

9. It may also be preferable to use the number of degrees awarded as a criteria used to distribute the performance funding rather than the graduation rates. Institutions could most easily improve their graduation rates by restricting the number of students that they enroll. Increasing the number of degrees awarded would require institutions to either enroll more students or improve the percentage of students who enroll who later graduate. Consistent with federal reporting requirements, graduation rates are typically only reported for students who enroll full-time as new freshmen. These rates therefore exclude all part-time and transfer students. Awarding funding based on the number of degrees completed, instead of on graduation rates, would reward institutions for graduating part-time and transfer students in addition to those students who enroll full-time as new freshmen.

10. The bill does not include any measures aimed at discouraging institutions from relaxing degree requirements or otherwise safeguarding educational quality. According to the Washington State auditor's report, most state performance-funding models do not include measures of quality. Some states have attempted to address quality by including measures related to program accreditation, standardized test scores, or stakeholder satisfaction surveys. The Committee could modify the Governor's recommendation to include one or more measures of educational quality or could direct the Regents or independent task force established to develop a performance-based funding model to do so.

11. Under the bill, the same performance criteria and weights would apply to all UW institutions except that the Regents may substitute different criteria for the UW Colleges if one or more of the criteria are determined not to be applicable to the UW Colleges. The Regents are also directed to control for institutional size so that larger institutions are not advantaged over smaller institutions. Other than allowing the Regents to substitute certain criteria for the UW Colleges and requiring the formula to control for institutional size, the performance funding formula would not differentiate between UW institutions based on their missions or institutional classifications. Other states have adopted some measures that apply only to certain institutions, have weighted measures differently depending on institutional mission or classification, or have allowed individual institutions to develop one or more measures based on their own specific mission or goals. For example, UW-Madison and UW-Milwaukee are both classified as "high research" universities. The performance funding formula could be modified to include research and development expenditures as a measure for those two institutions, which would be similar to the approach taken in Michigan.

Conversely, the UW Colleges are two-year institutions that award associate of arts and sciences degrees and prepare students to transfer to four-year institutions. Possible metrics for that institution could include the number of students who transfer 30 or more credits to a four-year institution or the number of associate's degrees awarded.

12. Many states include student progress measures in their performance funding models in addition to graduation rates and completions. Student progress measures may include fall-to-spring, first-to-second year, and first-to-third year retention rates and the number of students who have completed 15, 30, 45, or 60 credits. These measures may be valuable because they are early indicators of student success and offer more frequent measurements of progress than graduation rates which are only known four, five, or six years after a group of students first enrolls. As the bill does not include any of these measures in the performance funding model, the Committee may want to add one or more student progress measures to the performance funding model.

13. Under the bill, the performance funding would be distributed to UW institutions based on their performance in the prior fiscal year. Wisconsin Technical College System (WTCS) and many other states that use performance funding formulas distribute funds based on a three-year average instead of a single year of data. While three-year averages would reflect an institution's improvement or lack thereof in the long term, three-year averages are likely to be fairly stable in the short-term which would protect institutions for large, one-year swings in funding. Using a three-year average may also provide an incentive for institutions to make lasting programmatic changes instead of merely trying to improve their performance in the short-term.

14. Under the bill, the Board of Regents would be required to rank the institutions based on their performance on the specified criteria and distribute the funding such that institutions with lower rankings receive less funding than those with higher rankings. This may provide a disincentive for both high and low performing institutions to improve their performance. For example, one of the performance funding criteria included in the proposal is the percentage of students awarded degrees in the prior fiscal year who completed the degree requirements within six years. The UW System does not currently report the percentage of degrees awarded in each year that were awarded to students who completed the degree requirements within six years but does report a six-year graduation rate, which is the percentage of students who enrolled as full-time new freshmen in a fall semester and have been awarded a degree six years later. UW-Madison currently has the highest six-year graduation rate of any UW institution, at 84.9%. UW-La Crosse has the second highest six-year graduation rate, at 68.3%. Under the proposal, UW-Madison would have no incentive to improve its graduation rate as it would already be ranked first. In fact, UW-Madison could significantly reduce its six-year graduation rate and still receive the most funding awarded based on this criterion. Meanwhile, UW-La Crosse would have to improve its graduation rate by more than 16% in order to improve its relative ranking, which might also serve as a disincentive for that institution to improve. At the other end of the spectrum, UW-Parkside had the lowest six-year graduation rate at 33.1%, while UW-Superior had the second lowest six-year graduation rate at 40.4%. This means that UW-Parkside would have to increase its six-year graduation rate by more than 7.3% if it wanted to improve its ranking on this criterion.

15. An alternative to awarding funding based on how each institution ranks against the

other institutions could be to award the funding based on each institution's improvement on the criteria. This would provide an explicit incentive for institution's to improve their performance and allow both low and high performing institutions to benefit financially if they are successful. To recognize institutions that are already performing at a high level, some portion of the funding could be allocated to institutions who maintain their performance on the criteria.

Wisconsin Technical Colleges

16. Performance based funding was approved for the Wisconsin technical colleges as part of the 2013-15 biennial budget and first implemented in the 2014-15 year. As initially approved, the performance based funding was distributed to the technical colleges based on the following nine metrics: (a) the placement rate of students in jobs related to students' programs of study; (b) the number of degrees and certificates awarded in high-demand fields; (c) the number of programs or courses with industry-validated curriculum; (d) the transition of adult students from basic education to skills training; (e) participation in dual enrollment programs; (f) workforce training provided to businesses and individuals; (g) the number of adults served by basic education courses, adult high school, or English language learning courses, courses that combine basic skills and occupational training as a means of expediting basic skills remediation, and the success rate of adults completing such courses; (h) participation in statewide or regional collaboration or efficiency initiatives; and (i) training or other services provided to special populations or demographic groups that can be considered unique to the district. Each technical college district could choose seven of the nine measures on which their performance would be measured and the performance funding awarded to each college would be based on that college's performance on those selected measures. 2015 Act 55 added a tenth metric: the development and implementation of a policy to award course credit for relevant educational experience or training not obtain through an institution of higher education, including skills training received during military service. Technical college district boards were still required to choose seven of the metrics on which to be evaluated.

17. Under 2013 Act 20, the Wisconsin Technical College System (WTCS) Board was required to establish a formula for allocating general state aid to the technical college districts based on each district's performance on the specified metrics and to submit a plan for making allocations based on that formula to the Joint Committee on Finance for approval through a passive review by March 31, 2014. In 2014-15, 10% of WTCS's appropriation for state general aid, a total of \$8.8 million, was distributed based on the new performance based funding formula. Act 20 provided an additional \$5 million in state general aid for WTCS in 2014-15, so of the funding distributed through the performance funding formula, \$5 million was new money and \$3.8 million was base revenue. Act 20 also specified that the percentage of the WTCS's state general aid appropriation that would be distributed using the performance based funding formula would increase to 20% in 2015-16 and 30% in 2016-17.

Funding

18. Under the bill, \$21,250,000 GPR would be distributed as performance funding in each year of the biennium. This amount would be equal to 2.5% of the UW System's GPR general program operations appropriation (GPR block grant) in 2017-18 and 2.4% of that appropriation in 2018-19. For budgeting purposes, the UW System combines funding provided through the GPR

block grant and most tuition revenues to create a pool of funds referred to as the "GPR/fees pool." Based on the amount budgeted for tuition revenues by the UW System in 2016-17, the proposed performance funding could be between 0.9% and 1.0% of the GPR/fees pool in 2017-18 and 2018-19.

19. The amounts provided for performance funding in the bill may not be significant enough to cause UW institutions to change their behavior. According to the National Center for Higher Education Management Systems (NCHEMS), there is no consensus regarding the percentage of state funding that should be distributed based on performance, but a minimum of 10% is a reasonable target. One alternative could be to provide the total amount of performance funding provided under the bill, \$42.5 million, in the second year of the biennium. Under this alternative, 4.7% of the UW System's GPR block grant would be distributed as performance funding in 2018-19. However, this would increase the UW System's GPR base for the purpose of preparing the 2019-21 biennial budget by \$21,250,000 and increase the state's out-year commitment by the same amount. Another alternative could be to require the UW System to match the performance funding with funding from its GPR base. This would increase the amount of funding distributed as performance funding without increasing the UW System's base or the state's out-year commitment. This would also be similar to how performance funding for the technical colleges was funded in the first year with a portion of the performance funding being new money and a portion being reallocated from the base. In future years the amount distributed based on performance could be increased to the 10% recommended by NCHEMS. This would also be similar to performance funding for the technical colleges which was increased from 10% of the general aid appropriation in the first year to 30% in the third year.

20. While a substantial number of states have adopted performance- and outcome-based funding formulas for higher education, research has shown that the implementation of these funding formulas have not consistently improved four-year degree completions. A policy brief issued in 2013 by the Wisconsin Center for the Advancement of Postsecondary Education (WISCAPE) located at UW-Madison looked at changes in degree completion in the 21 states that had implemented performance-based funding for their four-year colleges and universities during the period studied. Performance-based funding was shown to have had a positive effect on four-year degree completions in four states, no effect in 12 states, a negative effect in four states, and could not be measured in the remaining state. This study focused the effect of performance-based funding on degree completions from 1990 to 2010. Since that time, a number of states have modified their existing performance-funding models or adopted new performance- and outcome-based funding models that are significantly different than those that had been used by states previously. According to the WISCAPE policy brief, those models are more likely to include intermediate achievement indicators, such as course completions, and to distribute larger portions of state funding than previous models. As these newer performance- and outcomes-based funding formulas have only recently been adopted, their impact on completions has yet to be evaluated.

21. Under the bill, the additional funding provided would be distributed to institutions based on how they rank amongst all UW institutions on the specified criteria. Institutions that already do well on the specified criteria would receive additional funding above their base, while institutions that are doing less well would receive little or no additional funding. This may provide

high-performing institutions with additional funding to invest in successful programs, or to invest however they choose, without providing lower performing institutions with additional resources to improve their performance. As an alternative, the Committee could provide some portion of the proposed funding, potentially \$10 million, either on a one-time or ongoing basis, to be distributed by the Board of Regents to institutions who rank in the bottom half of UW institutions on one or more of the criteria to support programs aimed at improving the institution's performance on that criterion or criteria. For example, the Board could award funding to institutions where the graduation rate for low-income students is in the bottom half of UW institutions to support programs to increase graduation rates for those students. If funding is provided on a one-time basis, these programs would have to be self-sustaining after the first or second year. Such programs would most likely focus on retention in that improved retention rates would increase tuition revenues. Programs designed to increase institutional performance on other criteria, such as the use of high-impact practices, increases in high-demand degrees awarded, and reduction in time-to-degree, may require ongoing support.

22. Providing funding to the UW System to be distributed to institutions to fund programs designed to increase institutional performance would be somewhat similar to the incentive grant program created under 2013 Act 20. As proposed, \$10 million GPR annually would have been provided to the UW System to incentive grants. The Board of Regents would have awarded grants to UW institutions to fund the following: (a) economic development programs; (b) programs that have as their objective the development of an educated and skilled workforce; and (c) programs to improve the affordability of postsecondary education for resident undergraduates. The Joint Finance Committee modified the incentive grant program to require the Board of Regents to allocate \$11,250,000 in each year of the biennium from its program revenue balances to the incentive grant program instead of providing state GPR for the program. Because the funding was provided on a one-time basis, the Board of Regents have not awarded any incentive grants since the 2013-15 biennium.

Approval and Implementation of Plan

23. Under the bill, the Board of Regents would be required to submit a plan for distributing the performance funding to the Secretary of DOA no later than January 1, 2018. The DOA Secretary would have 30 days to approve the plan or to require the Board to submit a revised plan. If the Board is required to submit a revised plan, the DOA Secretary would have 30 days to approve the plan or require another revised plan. The Board could not implement a plan for the distribution of the performance funding until such a plan was approved by the DOA Secretary. If the Committee would prefer that the plan be approved by a legislative body instead of the DOA Secretary, the Committee could modify the bill to require the Board of Regents to submit a plan for distributing the performance funding to the Committee for its approval or to the Assembly and Senate higher education committees for approval by those committees.

24. Under the bill, the Regents would submit their plan for distributing the performance funding by January 1, 2018. As an alternative, the Committee could change this date to February 15, 2018. This would give the Regents and UW System staff an additional six weeks to develop and approve a plan for distributing the performance funding while still allowing ample time for the plan

to be approved by the DOA Secretary or a legislative committee before the end of the fiscal year. By comparison, 2013 Act 20 required the WTCS Board to submit a plan for making allocations based on its performance funding based formula to the Joint Committee on Finance for approval through a passive review by March 31, 2014, with that formula first being used to distribute funding during the 2014-15 year.

25. If the plan is approved before the end of the 2017-18 fiscal year, funding could be distributed to institutions using the performance funding formula in that year. If the performance funding is distributed in the spring, it is possible that the funding could be awarded using data from the 2016-17 year. In that case, the funding would be awarded to institutions based on outcomes that occurred prior to the development of the performance funding formula. If the purpose of the performance funding is to provide an incentive to institutions to modify their behavior, it may be logical to delay the use of the formula for distributing funds until after the performance funding formula has been adopted so that institutions will have an opportunity to modify their behaviors in response to the funding formula. If the performance funding formula is adopted in spring, 2018, institutions would first be able to respond in the 2018-19 year. Data from that year would likely be available midway through the 2019-20 year and could be used to distribute funding either in the middle of that year or at the beginning of the 2020-21 year. As an alternative, the Committee could require the Board of Regents to submit a plan for distributing performance-based funding for approval in spring, 2018, and specify that a certain percentage, perhaps 5%, of the UW System's GPR general program operations appropriation would be distributed to institutions based on that formula beginning in the 2020-21 year. This would give the institutions time to adjust their operations before any funding is distributed using the approved performance funding formula. However, delaying the implementation of the performance-based funding formula to a future biennium may create uncertainty regarding whether the funding formula will be implemented.

26. Another reason to delay the implementation of the performance-based funding formula is that institutions may not currently track some of the metrics that would be incorporated in the formula. Some of the criteria included in the bill, such as the percentage degrees awarded in healthcare, science, technology, engineering, or mathematics and the graduation rates of low-income students, are already reported or could be easily derived from available data. Other criteria, such as participation in dual enrollment programs and the percentage of students awarded degrees who obtained full-time postgraduate employment in a field related to the degree awarded, may require the UW System and UW institutions to collect additional data. If the Committee wishes to implement a performance funding formula as soon as possible, the Committee may wish to specify that only metrics for which there is existing data could be included in the formula.

Report Cards

27. Under the bill, each institution would be required to prepare a "performance funding report card" that would summarize the institution's performance during the prior fiscal year with respect to the performance criteria identified by the bill and specified by the Board and other metrics specified by the Board. The performance funding report card prepared by each institution would compare the performance of the institution on those criteria and metrics to the performance of the other UW institutions. The Board of Regents would also be required to publish data on the UW

System's online accountability dashboard regarding each institution's performance with respect to the performance criteria identified by the bill and specified by the Board and any other metrics included in each institution's performance funding report card as specified by the Board.

28. UW institutions vary significantly in terms of their missions, degree programs, and student populations. For this reason, it may not be helpful to compare UW institutions to one another. Instead, UW institutions could be compared to public universities in other states that have similar missions, offer a similar array of programs, and serve similar student populations. As an alternative, the Committee could require the performance funding report card prepared by each institution to include a comparison of the performance of the institution to similar public institutions in this and other states, instead of to the performance of only other UW institutions. As not all institutions in other states collect or report data on all of the criteria specified in the bill, the Committee could specify that comparisons only be provided for the criteria where data is available.

29. The UW System already collects and reports a significant amount of data. Under current law, the Board of Regents and the UW-Madison Chancellor are required to submit an annual accountability report to the Governor and the Legislature that includes information in the following categories: (a) performance; (b) financial; (c) access and affordability; (d) undergraduate education; (e) graduate and professional education; (f) faculty; (g) economic development; (h) collaboration; and (i) incentive grants. The report submitted by the UW-Madison Chancellor includes information for that institution only while the report submitted by the Board of Regents include aggregate data for all other UW institutions. The UW System also maintains an online "accountability dashboard" that includes data for each individual institution and aggregate data in the following categories: (a) access; (b) cost and efficiency; (c) faculty and staff; (d) progress and completion; (e) undergraduate experience; and (f) economic development. If the Committee determines that the amount of data already reported by the UW System is sufficient, the Committee could delete the requirement that each institution prepares an annual performance funding report card. If the Committee believes that the performance funding report cards required under the bill are more desirable than the accountability reports required under current law, the Committee could delete those reports.

ALTERNATIVES

A. Performance Criteria and Allocation

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to add the following criteria to the affordability and attainability criteria: (a) degrees awarded to underrepresented minorities; (b) degrees awarded to students requiring remediation; (c) degrees awarded to students over the age of 24; and (d) degrees awarded to transfer students. In addition, replace the criteria regarding graduation rates for low-income students with a criteria regarding degrees awarded to low-income students.
3. Modify the Governor's recommendation to include a measure of educational quality.

This could include the number or percentage of accredited programs, the performance of graduates on standardized tests, or survey responses from stakeholders.

4. Modify the Governor's recommendation to include one or more measures of student progress. These could include retention over a certain time period or the number of students who have earned 15, 30, 45, or 60 credits.

5. Modify the Governor's recommendation to require that the performance funding be distributed based on three-year average data, instead of data from the prior fiscal year only.

6. Modify the Governor's recommendation to specify that funding would be distributed to institutions based on their level of improvement on each criteria instead of their rank relative to other UW institutions. In addition, permit some portion of the funding provided to be distributed to institution who maintain their current level of performance on the criteria.

7. Delete provision. Instead, define policy goals for the UW System and require either the Board of Regents or an independent task force to develop a performance-based funding model that is aligned with those goals. Potential goals would include: (a) increase access for resident students and low-income, transfer, adult, and underrepresented minority students; (b) increase student progress; (c) increase the number of degrees awarded; (d) increase the number of degrees awarded in high-demand fields; (e) increase the number of degrees awarded to low-income, transfer, adult, and underrepresented minority students; (f) improve post-graduate outcomes; and (g) increase institutional efficiency and effectiveness.

8. Delete provision.

B. Funding

1. Approve the Governor's recommendation.

ALT B1	Change to	
	Base	Bill
GPR	\$42,500,000	\$0

2. Modify the Governor's recommendation to delete the performance funding provided in 2017-18 (\$21,250,000) and provide an additional \$21,250,000 in 2018-19, for a total of \$42,500,000 annually beginning in 2018-19.

ALT B2	Change to	
	Base	Bill
GPR	\$42,500,000	\$0

3. Modify the Governor's recommendation to delete the performance funding provided in

2017-18 (\$21,250,000) and to require the Board of Regents to distribute a total of \$42,500,000 GPR beginning in 2018-19 as performance funding, with 50% of this funding being drawn from base resources. Under this alternative, no funding would be provided for performance funding in the 2017-18 year.

ALT B3	Change to	
	Base	Bill
GPR	\$21,250,000	-\$21,250,000

4. Modify the Governor's recommendation to shift \$11,250,000 from 2017-18 to 2018-19, which would result in the UW System being provided \$10,000,000 in 2017-18 and \$32,500,000 in 2018-19 and annually thereafter. Of this funding, allocate \$10,000,000 annually to fund institutional initiatives to improve performance on the specified performance criteria. Specify that institutions would submit proposals requesting funding for these initiatives to the Board of Regents and that the Board of Regents would select which of the proposals to fund. Allocate \$22,500,000 annually beginning in 2018-19 to be distributed to the institutions as performance funding.

ALT B4	Change to	
	Base	Bill
GPR	\$42,500,000	\$0

5. Modify the Governor's recommendation to reduce the performance funding by \$11,250,000 in 2017-18 and in 2018-19, which would result in the UW System receiving \$10,000,000 annually. Allocate these moneys to fund institutional initiatives to improve performance on the specified performance criteria. Specify that institutions would submit proposals requesting funding for these initiatives to the Board of Regents and that the Board of Regents would select which of the proposals to fund. In addition, specify that beginning in 2020-21, the Board of Regents would distribute 5% of its GPR general program operations appropriation using the approved performance funding formula.

ALT B5	Change to	
	Base	Bill
GPR	\$20,000,000	-\$22,500,000

6. Delete provision.

ALT B6	Change to	
	Base	Bill
GPR	\$0	-\$42,500,000

C. Approval of Plan

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to require the Board of Regents to submit a plan for distributing the performance funding to the Joint Finance Committee, instead of to the Secretary of DOA, by February 15, 2018, for approval through a 14-day passive review process.
3. Modify the Governor's recommendation to require the Board of Regents to submit a plan for distributing the performance funding to the appropriate standing committees of the Senate and Assembly, instead of to the Secretary of DOA, by February 15, 2018, for approval by those committees through a 14-day passive review process.
4. Delete provision.

D. Report Cards

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to specify that each institution's performance would be compared to the performance of other public institutions with similar missions, degree programs, and student populations instead of to the performance of other UW institutions. In addition, specify that these comparisons would only be made for criteria where performance data is available for similar institutions.
3. Modify the Governor's recommendation to delete the annual accountability reports the Board of Regents and the UW-Madison Chancellor are required to submit to the Governor and Legislature under current law.
4. Delete provision.

Prepared by: Emily Pope