University Contracts Study
Presentations Planned for CEPRI Meetings
Revised Draft
7/09/03

July 9 - Orlando

I. Panel discussion – UF, FSU, FIU, UCF, USF
II. Flexibility movements
  A. Other states
  B. Florida
    - Current
    - Needed (as identified in survey)

III. Access, Tuition and Financial Aid

August 13 – Ft. Myers

I. Services and programs
  A. Current services and programs
  B. Criteria for determining those to be included in contract

II. Accountability and Performance
  A. State goals, university goals
  B. Measures, standards (include baseline data)
  C. Incentives for high performance
  D. Penalties for low performance

September 10 - Tampa

I. Costs
  A. Criteria for determining costs
  B. 5-year simulations of both UF/FSU proposal and CEPRI's draft proposal

II. Other contract provisions to consider
  A. Legal/financial constraints (multi-year contracts, re-negotiations, etc.)
  B. Other obstacles
  C. Should there be any criteria for institutional participation?
  D. How should contracts vary by institution?

October 8 - Tallahassee

DRAFT report, including draft contract
Public input

November 1 – report due to Legislature

THE FLORIDA LEGISLATURE

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Akshay Desai, Chair
Bob Taylor, Vice-Chair

Diane Leone
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Bob McIntyre
Pat Telson

June 25, 2003

Dr. Charles E. Young
President
University of Florida
P. O. Box 113150
Gainesville, Florida 32611

Dear Dr. Young:

The members of our Council are looking forward to your participation – or that of your representative – at the July 9 meeting in Orlando. Attached is the agenda for your information. It looks as though the panel discussion should begin around 10:30. If that time is not convenient for you, please let me know, and we will work out a different time.

Our members prefer that panel discussions be informal. In fact, we try to seat participants at the members' table to encourage a dialogue between panel members and members of our Council. In addition, for the summer months, we dress more casually than usual.

This discussion will give you an opportunity to explain to the Council your vision for university contracts. Please keep in mind that the answers to the following questions would be useful to us:

1. How would your university benefit from five-year contracts?
2. How would these contracts benefit the state, and how would they benefit students?
3. What performance goals should be included in the contract?
4. What penalties should be imposed for not meeting performance expectations?
5. What are the anticipated obstacles and how can they be addressed?
6. What services and programs should be included in a contract?
7. How much additional revenue do you anticipate collecting through tuition increases? On what priorities would you expend this additional revenue?

William B. Proctor, Executive Director
Room 574 Claude Pepper Building, 111 W. Madison Street, Tallahassee, Florida 32399-1400
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8. For the last four years of the contract, for what programs or activities should the Legislature provide funding in addition to that provided in the contract? For those same years, for what programs and activities should the university absorb additional costs, rather than request new funding from the Legislature?

Again, thank you for your participation in the panel discussion. Please call me, or Dr. Nancy McKee of my staff, if you have any questions. Both of us can be reached at (850) 488-7894.

Sincerely,

Bill Proctor

William B. Proctor

/wbp

c: Dr. David Colburn

Florida

Office of the Speaker

Johnnie Byrd

Speaker

June 25, 2003

Dr. Bill Proctor, Executive Director

Council on Education Policy Research and Improvement

574 Claude Pepper Building

Tallahassee, Florida 32399

Dear Dr. Proctor:

During budget conference work, proviso language accompanying Specific Appropriation 2545 in Senate Bill 2-A was negotiated. The final language requires a study of the feasibility of 5-year performance and funding contracts between the State of Florida and the University of Florida, Florida State University and Florida International University. Following post-Session meetings of their boards of trustees, the University of South Florida and the University of Central Florida have specifically requested by letter to me that they be included in the study and forthcoming recommendations. The purpose of this letter is to provide you my formal request that these universities be included.

Should you have any questions or need clarification on this issue, please contact Lynn Cobb, Education Policy Coordinator, Speaker's Office of Policy and Budget, at 488-3088.

Thank you for your attention and I look forward to the results of your review. Sincerely.

Johnnie Byrd

Speaker of the House of Representatives

420 Capitol, 402 South Monroe Street, Tallahassee, Florida 32399-1300

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

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Institution: Florida International University
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**1. What additional fiscal or administrative flexibility do you need to improve the efficiency or performance of your institution?**

- Separation of the resident and non-resident enrollment plans and the associated funding.
- Authorize institutions flexibility in determine and setting fees.
- Allow the University to budget the fee increase funding that is realized on summer enrollment. To calculate the increase, only fall and spring are used to determine the amount to be budgeted, since the increase in any given year does not apply to the summer. However, the following year, the summer students do pay the higher fees and this revenue is needed as a budgeted item in the University. It is a significant issue for universities like FIU with a sizeable proportion of enrollment in the summer.
- Authorize institutions to set differential tuition by discipline, student level, and delivery method.
- Ability to retain funds and build reserve accounts for future capital deferred maintenance projects.

**2. What are the strengths of the state's current funding process? How does the state's current funding process assist in the efficiency or performance of your institution?**

- Lump Sum funding has provided a great deal of flexibility, especially in dealing with shrinking budgets.
- Enrollment growth has traditionally been funded based on planned enrollment.
- Special appropriations have traditionally been provided the start up of new major programs, e.g. law schools, medical schools, etc.
- Plant Operations and Maintenance funding is provided based on new gross square feet added to the inventory.
- Cost to Continue is calculated and provided in the current process.

**3. What are the weaknesses of the state's current funding process? How does the state's current funding process hinder the efficiency or performance of your institution?**

- The current enrollment growth-funding model provides less than 100% of the actual cost.
- Both the Florida Prepaid law and Bright Futures process hinder the efficiency and effectiveness of the University by limiting undergraduate tuition increases.
- The legislative funding model does not allow the University flexibility to manage its total E&G budget. If we experience an increase in student fees, there is a fund shift in the following year reducing the general revenue appropriation, which removes the ability/flexibility to manage the budget to the optimal benefit of the University.
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COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

- SCH funding for new enrollment workload should be consistent across universities (especially at UG levels)—e.g. use a system-wide average for new enrollment growth funding.
- The lack of authority to set differential tuition levels hinder the University from generating the revenue needed to offer competitive salaries in some disciplines.
- The lack of authority to set tuition levels by discipline, student level, and delivery method results in discounting the actual cost of some programs to non-residents.
- The lack of authority to budget the fee increase for summer enrollment in the following fiscal year deprives the University of the use of those funds for institutional priorities.
- The current funding process does not permit institutions to classify non-resident graduate teaching/research assistants and fellowship recipients as temporary residents for fee purposes. This increases the tuition these state employees and fellowship recipients are assessed and decreases the institution's competitiveness in attracting the best graduate students to support our research and teaching activities. It also has a negative impact on the labor market pool as many of the non-resident students remain in Florida upon graduation.
- The current funding model does not recognize the substantial research component of each faculty member's work assignment.

4. What are the unique challenges faced by your delivery system or <u>institution</u> that require unique funding solutions?

- Operating multiple, full service campuses.
- Operating an institution in a high cost urban setting with below average SUS funding.
- Operating in a 24/7 mode to serve the large numbers of urban working students in programs in the evenings and on weekends.
- Operating an institution in an area with the environmental challenges of South Florida with the current funding models, e.g. higher energy costs for year-round air conditioning; need for capital investment for hurricane protection of buildings, etc.
- Operating a campus in an urban setting in which a majority of the undergraduate student population is minority, first generation college students, and economically challenged. In addition, many of the students come from homes in which English is not spoken and English is not their first language, need for more campus computer labs, counseling services, etc.

5. What institutional and student behaviors should be rewarded by the state and how should they be rewarded?

- Number of degrees awarded in critical need areas.
- Number of degrees awarded to members of minority groups.
- Percentage of graduates employed in the state of Florida or the federal government.
- Graduation/retention rates of students by type, degree level, enrollment status (full-time and part-time).
- Access opportunities for the citizens of the South Florida region.

6 a. What are the performance reward systems being implemented at your institution, either through state directives or through local initiatives?

- Annual work plans with measurable goals followed by accountability reports. The work

plans are designed to focus activities on the priorities of the institution, and the accountability reports are used to monitor goal achievement and reward meritorious performance.

- Resource allocations are based on the College/school productivity and the achievement of their annual enrollment and research work plan objectives.

6 b. Are they effective? If so, what makes them effective? If not, what makes them ineffective?

- Yes. The work plans provide a comprehensive planning tool and the accountability reports provide a means to monitor unit achievement and quality of performance.
- Yes. The allocation model services to modify behavior to promote achievement of the desired goals.

7. What would be viable alternatives? What behaviors not currently being rewarded should be rewarded and how?

- Provide full funding for enrollment growth at the system average.
- Provide Incentive funding for the number of graduates in the critical need areas.
- Provide incentive funding for the number of minority graduates in the critical need areas.
- Provide incentive funding for the number of undergraduate adult completers.
- Implement a research challenge grant program e.g., to enhance economic development and meet Florida's strategic research and development initiatives as noted below.

These programs would place greater focus on state and community needs so as to enhance economic development in Florida's urban areas.

These programs would focus engagement activities on meaningful business and university research partnership so to enhance economic develop in the State.

The research challenge grant program would increase faculty and student involvement in sponsored contract and grant research activities.

8. What alternatives to the current funding approach would be appropriate for improving your delivery system?

- Provide equitable base funding so that the Florida citizens served by each institution are treated fairly in terms of state support.
- Provide special funding for technology enhancements.
- Fund the State institutions for enrollments generated from resident students. The non-resident enrollment should be self-supporting, but the revenue generated from non-resident tuition should not be used to supplant funding provided to support resident students.
- Provide uniform general revenue funding for each institution in the system by student level while allowing tuition flexibility.

9. What are the advantages and disadvantages of each of the approaches suggested in #8? Consider, for example, whether the approaches are equitable, provide stability, provide an appropriate balance between state and local funds (including student fees), help achieve state goals, help meet student demand, etc.

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

- The institutions must have the authority to set the appropriate tuition and fees. For example, to remain competitive one must invest in new technology on a scheduled replacement cycle. These are new expenditure categories that have never been included in any of the funding models. Therefore, a new revenue source must be established. Due to the growing cost of technology maintenance/enhancement and the State's current general revenue constraints, one appropriate source of funds would be a technology fee. This fee will provide the infrastructure to ensure that our graduates are competitive in the global environment.
- Discontinue supplanting general revenue with the anticipated over collections from non-resident tuition, coupled with flexible tuition authority, will enable institutions to enhance the quality of their programs for all students while providing access to our Florida residents.
- Providing uniform levels of general revenue subsidies will equal education opportunities to all of our citizens regardless of where they live or their economic status.
- Providing tuition flexibility will enable the institution to recover more of the expenditure for the high cost programs. Currently all students pay the same amount per credit hour regardless of the cost of instruction or the return on investment when the student graduates.

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

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1. What additional fiscal or administrative flexibility do you need to improve the efficiency or performance of your institution?

ADDITIONAL FLEXIBILITY ALREADY GRANTED

To name a few…..

Over the last few years, universities have been granted additional, significant flexibility. E&G budget and position controls by major function were eliminated, position and rate controls have been eliminated, the 5% Carryforward limitation is now an expected minimum and uses of these funds are no longer restricted only to certain objects of expenditure.

Universities now have individual boards of trustees. Universities effect releases of funds directly with the State Comptroller's Office.

Beginning in July of 2003, five universities will exit the state's accounting and budgeting system (FLAIR) and university funds will be transferred from the state treasury to university bank accounts.

Beginning this fiscal year, our university began to invest tuition funds in the state's treasury. Once the university leaves the state treasury entirely in July of 2004 as planned, it will be possible to also invest any available general revenue and lottery funds.

Masters and undergraduate degree programs can now be approved by the boards of trustees. Tuition waivers can now be approved by the board of trustees. A new admission deposit has been authorized this session.

Universities are now in charge of their own personnel systems, but with participation in state retirement and insurance.

ADDITIONAL FLEXIBILITY FOR CONSIDERATION

1. Tuition and Fees Rate Setting Without Reduction in General Revenue Support
The flexibility to allow the Board of Trustees to set tuition and fees is needed. The

university has no local authority to increase E&G revenues to meet changing demands and conditions. All E&G funding, including tuition increases is controlled by the legislature. If universities are expected to resemble private business in some ways, then the capability to adjust revenues must be granted. Imagine a business that is not allowed to increase or reduce prices. It would be very limited in responding to its needs and planning would be much more difficult.

2. Increase the general revenue and lottery releases percentages. Currently universities receive 25% of these funds at the beginning of each quarter. For universities leaving FLAIR, this has been changed, by statute, to bi-monthly releases. Monthly releases, at least, are suggested to begin this part of devolution.

3. Consider a new "contract" for services. More on this later.

2. What are the strengths of the state's current funding process? How does the state's current funding process assist in the efficiency or performance of your institution?

A major strength of the current system is the categorization and regular funding of recurring operational and construction issues.

OPERATING FUNDS

1. Annual salary increases
2. Changes in fringe benefits
3. Enrollment
4. New and Phased-in Space
5. Graduate assistant salary increases
6. Insurance
7. Challenge Grants Matching
8. Program enhancements

CONSTRUCTION FUNDS

1. PECO
2. Courtelis (Facilities) Grants Matching

3. What are the weaknesses of the state's current funding process? How does the state's current funding process hinder the efficiency or performance of your institution?

1. Funding for graduate and undergraduate student waivers has been discontinued.

Universities have had to pick up the increases cost of these programs as enrollment increases and/or tuition levels increase. At the graduate level, this cost is very significant in terms of dollars. Graduate waivers are critical in order to recruit and attract many of our graduate students. In order to maintain the level of these waivers, universities must now "discount" tuition increases to cover these or use discretionary new general revenues to pay for the waivers.

2. Price level increases used to be funded by the legislature, but were discontinued about thirteen years ago.

a. Related to the above, utility rate increases are not funded. This coming year, for the first time, insurance increases were not funded.

3. Enrollment funding formula is not consistently applied and selected factors in the formula are deducted or not used. At times, university-wide average factors versus individual university factors are used.

4. Annual salary increase levels cannot keep up with market rates for faculty and staff salaries.

5. Timing of enrollment decisions and the receipt of related, expected funding. Enrollment admissions and the 5-year enrollment plan take place long before the funds to be appropriated are known. This year, for example, many student fte's to be generated per the enrollment plan were not funded. This creates a tremendous pressure and a scramble to find instructors, not increase class size, and maintain the quality of instruction.

6. Inability to set tuition and fees to meet instructional and other needs.

7. Declining general revenue support per unit of measure, such as per student fte.

8. Faculty and staff salary levels. The last time a concerted effort was addressed by the legislature to increase all faculty salaries to be more comparable to national rates was 22 years ago, in 1981. In between, there were partial efforts via PIP, PEP funding and local discretionary issues.

9. The effect of reductions on increases in funding intended for other purposes. Since 1984-85 FSU has been assigned ($57,683,904) in budget reductions. By size comparison, during the same period, FSU has received $67,855,269 for increases in enrollment. A significant amount of these reductions have had to be accommodated by netting them against new enrollment dollars one way or the other.

4. What are the unique challenges faced by your delivery system or institution that require unique funding solutions?

1. Graduate student waivers.
2. Tuition and Fees control
3. Faculty and staff salaries
4. Reductions that cut into increases appropriated for other purposes.

5. What institutional and student behaviors should be rewarded by the state and how should they be rewarded?

The current funding formulas address institutional Costs-to-Continue, Workload, and demonstrable

Enhancements; these features must continue.

Accountability and Performance Budgeting tend to be directed to behaviors and statistical measures that may or not be as controllable by an institution as may be desired, although we all try hard.

Factors such as graduation rates and retention rates must be compared only among institutions that are similar in terms of the quality of students, institutional resources and other factors.

More effort must be spent in sharing research and best practices in these matters and in cooperating in ways that may influence there rates in a positive way, rather than looking for ways to be budgetarily punitive at the state level and /or setting artificial goals. After all, this should be about helping the students, not punishing the institutions.

6. a. What are the performance reward systems being implemented at your institution, either through state directives or through local initiatives?

The university has a Quality Enhancement Review process that looks at all the metrics related to the inputs, outputs and outcomes of our units. These metrics are monitored and used in planning and budgeting and administration to increase quality and efficiency where possible.

A few of these metrics are:
Number of faculty and staff per numbers of students and credit hours; external sponsored research for the type of program; degrees awarded; instruction, research and public service productivity per unit and faculty member; publications; student surveys of faculty instruction; alumni surveys; student surveys of university services; national rankings of undergraduate and graduate programs, etc.

The various monitoring efforts and resulting information impact the level of resources invested in the units and provides a basis for annual and multi-year planning.

b. Are they effective? If so, what makes them effective? If not, what makes them ineffective?

We use these measures. They drive allocation decisions to the extent there are available resources.

c. What would be viable alternatives? What behaviors not currently being rewarded should be rewarded and how?

FSU, UF and FIU have proposed a "contract" for services, which CEPRI is to report on this fall.

8. What alternatives to the current funding approach would be appropriate for improving your delivery system?

FSU, UF and FIU have proposed a "contract" for services, which CEPRI is to report on this fall.

9. What are the advantages and disadvantages of each of the approaches suggested in #8? Consider, for example, whether the approaches are equitable, provide stability, provide an appropriate balance between state and local funds (including student fees), help achieve state goals, help meet student demand, etc..

The features of the contact will be examined by CEPRI in detail. Hopefully, the characteristic of the contract will provide more stability in funding, flexibility in setting tuition and fees, guaranteed contract amounts for additional enrollment and activities, and a price level increase to cover a number of costs-to-continue issues.

All of the above will assist the institution in financial planning and, therefore, in program effectiveness and efficiency.

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

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Phone: (850) 487-0517 or
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1. What additional fiscal or administrative flexibility do you need to improve the efficiency or performance of your institution?

Eliminate any vestiges of "position control." (Vacant positions have no significance.) Allow each university to set its own tuition. Allow market forces to determine USPS and A&P salaries (same as faculty). Allow additional flexibility in bonding authority.

2. What are the strengths of the state's current funding process? How does the state's current funding process assist in the efficiency or performance of your institution?

"Lump-sum authority" is crucial, across all program components. Also, the carry-forward authority is very helpful.

3. What are the weaknesses of the state's current funding process? How does the state's current funding process hinder the efficiency or performance of your institution?

The need to get approval of area campus "operating budgets" early in the year is a waste of time, given all the changes that occur later.

4. What are the unique challenges faced by your delivery system or institution that require unique funding solutions?

The rapid growth of UCF, coupled with the shortage of PECO funds, makes rental of space necessary. If we could bond operational funds, then we could acquire property using E&G funds.

5. What institutional and student behaviors should be rewarded by the state and how should they be rewarded?

Much thought has been given to "accountability" and "performance incentives." Please refer to UCF's prior submissions on this topic (attached).

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

6. a. What are the performance reward systems being implemented at your institution, either through state directives or through local initiatives?

The Pegasus funding model for the colleges and area campuses rewards enrollment growth. Also, UCF has elected to continue the TIP program for salary awards.

b. Are they effective? If so, what makes them effective? If not, what makes them ineffective?

Both means mentioned continue to be extremely effective.

c. What would be viable alternatives? What behaviors not currently being rewarded should be rewarded and how?

Please refer, as in item #5, to UCF's prior submissions on performance incentives (attached).

8. What alternatives to the current funding approach would be appropriate for improving your delivery system?

We should consider a move toward "state-assisted" funding of higher education in Florida to allow for predictability in funding, with concurrent flexibility in setting tuition and fees.

9. What are the advantages and disadvantages of each of the approaches suggested in #8? Consider, for example, whether the approaches are equitable, provide stability, provide an appropriate balance between state and local funds (including student fees), help achieve state goals, help meet student demand, etc..

The advantage is that the university would be able to develop reliable long range financial plans. There are no obvious disadvantages.

DETAILED PROPOSAL

PERFORMANCE-BASED FUNDING MODEL FOR THE UNIVERSITY OF CENTRAL FLORIDA

Address inquiries to

Dr. Gary E. Whitehouse
Provost

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Ms. Sabrina Andrews

May 31, 2002

PERFORMANCE-BASED FUNDING MODEL
FOR THE
UNIVERSITY OF CENTRAL FLORIDA

DETAILED PROPOSAL

Based on the requirements of Senate Bill 1162, each university in the state of Florida has been asked to develop a performance-based funding model that recognizes the unique mission and character of the university (Dr. Carl Blackwell memo of December 10, 2001). The proposed model must include performance measures and standards (that will be established by the Legislature in 2003) and must provide that at least 10% of the state funds appropriated are conditional upon meeting or exceeding the established performance standards.

This document describes the proposed performance measures and standards, and the proposed funding model for the University of Central Florida. The document is structured in four parts:

1. Introduction to UCF's Performance Modeling Approach
2. Proposed UCF Performance Measures and Standards
3. Proposed PBF Model
4. Example Application to UCF.

Each section begins with a general overview and a list of guiding principles, followed by the detailed description and justifications.

The proposed performance-based funding model provides a framework for a PBF approach that can be easily adapted for other universities. The model would provide a common structure using performance measures appropriate for each university along with individually developed performance standards. The UCF benchmark methods provide one alternative approach.

1. INTRODUCTION TO UCF'S PERFORMANCE MODELING APPROACH

UCF has defined a set of performance measures and an allocation model that is based on the requirements set in Senate Bill 1162 (SB1162) and that relate to the university mission. The University of Central Florida is proposing a performance-based funding model that can be used to assess the university's performance and determine the allocation of up to 10% of the university's appropriated funds. The specific objectives of the model are to:

- Identify key areas of performance related to the university's mission
- Develop reasonable performance standards that reflect the inherent variability in performance
- Provide a mechanism for determining funding levels based on performance, including tradeoffs among different performance measures
- Provide a generic structure that can be adapted by other SUS universities

The proposed UCF PBF model is responsive to the requirements of SB1162 by addressing the four goals specified in the legislation as well as incorporating a fifth goal that is closely aligned with the university's mission. The five goals include:

G1: SB1162 Goal #1: Highest Student Achievement
G2: SB1162 Goal #2: Seamless Articulation and Maximum Access
G3: SB1162 Goal #3: Skilled Workforce and Economic Development
G4: SB1162 Goal #4: Quality Efficient Services
G5: University Goal: Knowledge and Scholarship

The UCF PBF model uses two performance measures supporting each goal. The performance measures are closely aligned with key performance measures that have been used in other accountability models. The individual performance measures are weighted to reflect their relative importance to the university's mission. The President and the Provost were actively involved in selecting the measures and developing the relative importance weights.

The performance standards for a given measure are used as a basis for determining the funding allocation. The guiding principles used to develop the performance standards required that they acknowledge the inherent variability in performance and simultaneously motivate improvement in performance. To that end, the UCF PBF model uses three specified performance levels.

- Minimum Acceptable Performance
- Performance Target
- Stretch Target

The actual values for the three performance levels depend on whether internal or external benchmarks are used for the individual performance measures.

The funding allocation part of the UCF PBF Model considers actual performance relative to the three performance levels and determines what portion of the funds are to be allocated to the university. The allocation model first applies to each performance measure separately and then considers trade-offs in additional funding allocations. The weight associated with the performance measures defines the fraction of the budget being considered or controlled by the given performance measure. The allocation model deals with five categories of funding:

- No funding
- Partial funding
- Full funding
- Recovery funding
- Reallocation funding (optional—used only if unallocated funds are to be reallocated to other universities).

In summary, the proposed UCF PBF Model includes a set of performance measures that support SB1162 and the university's mission. The proposed performance standards provide a mechanism for accounting for the inherent variability in performance while encouraging performance improvement. The associated allocation model recognizes performance tradeoffs by allowing universities to recover funds for measures where they have performed at or above the Performance Target, while withholding funds for falling below the Performance Target. The model also provides a method of reallocation should the State decide to pool funds that were not allocated to individual universities and reallocate them to other universities whose performance exceeds a Stretch Target. The UCF PBF Model provides a structure that can easily be adapted for use by other universities.

2. PROPOSED PERFORMANCE MEASURES AND STANDARDS FOR UCF

UCF has defined a set of performance measures that relate to UCF's mission and support the goals of the State. The measures are defined to support the four goals in SB1162 plus one additional goal specifically aligned with the university's mission. Two measures are defined for each of the goals and wherever possible, one of the measures has targets based on UCF's internal performance improvement and the other measure has targets based on performance of external peers in the SUS. The following guiding principles were used in identifying the proposed set of measures:

1. Limited set (8-12) of key performance measures
2. Relatively easy to collect and compute on a regular (annual) basis
3. Outcomes controllable by UCF policies
4. Historical data available so that trends can be computed (3-5 years)
5. Comparable data for most recent year available from other peer SUS institutions
6. Related to the goals in Senate Bill 1162 (SB1162) and also UCF's mission
7. Includes some of the UCF mission-relevant performance measures from the 2001-2002 General Appropriations Act (GAAPM)

An effort has been made to select measures that support the four goals in Senate Bill 1162 and that are consistent with measures in the 2001-2002 General Appropriations Act and the goals of the university. It should be noted that the list of measures is not comprehensive. There are many vital aspects of university performance that are difficult to characterize and quantify, and could not be included in the model.

The proposed measures shown below are organized by the four goals in the SB1162 and one additional important university goal that is not included in SB1162.

G1: SB1162 Goal #1—Highest Student Achievement
- M1: Graduation Rate
- M2: First Year Retention Rate

G2: SB1162 Goal #2—Seamless Articulation and Maximum Access
- M3: Non-excess Credit Hours
- M4: Percent AA and AS Transfers Enrolled at UCF from SUS

G3: SB1162 Goal #3—Skilled Workforce and Economic Development
- M5: Degree Production Rate
- M6: Critical Area Degree Production

G4: SB1162 Goal #4—Quality Efficient Services
- M7: Student Satisfaction
- M8: Cost per Completer

G5: University Goal: Knowledge and Scholarship
- M9: Publications per Tenured and Tenure-Earning Faculty
- M10: R&D Expenditures per Tenured and Tenure-Earning Faculty

The funding allocation model requires the setting of performance standards for each of the performance measures. The following guiding principles were used in identifying performance standards:

1. Ensure acceptable levels of performance and encourage performance improvement
2. Account for natural variability in performance measures
3. Have general applicability at all SUS institutions
4. Strike a balance between internal and external benchmarks

The guiding principles used to develop the performance standards required that they acknowledge the inherent variability in performance and simultaneously motivate improvement in performance. To that end, the UCF PBF model uses three specified performance levels.

- Minimum Acceptable Performance
- Performance Target
- Stretch Target

Performance standards and targets are based on internal or external benchmarks. The choice of method depends on the type of measure and the availability of benchmark data. In addition, it is desirable to strike a balance between external benchmarks (comparing favorably with peers) and internal benchmarks (trying to achieve internal improvement). Internal benchmarks consider UCF's performance over the past five years. External benchmarks compare UCF with Florida Peer institutions and the SUS as a whole. In the UCF PBF Model, the UCF Florida Peer institutions are the University of South Florida, Florida International University, and Florida Atlantic University.

The following sections provide a detailed description of each proposed measure including a description of the measure, appropriate formulas for the calculation of the measure, data sources to be used for the measure, justification for why the measure is appropriate and was selected, and description of the type of benchmark used for the performance standards.

G1: SB1162 Goal #1—Highest Student Achievement

Performance Measure M1: GRADUATION RATE

Title of Measure: Graduation Rate

Description: This measure is a weighted average of the 6-year graduation rate for FTICs (GR_{FTIC} = percent of FTICs that graduate within six or fewer years) and the 4-year community college AA or AS transfer (CCT) student graduation rate (GR_{CCT} = percent of AA and AS transfers that graduate within four or fewer years). The cohort definition used to compute this measure is the standard fall cohort used for most external reports; namely, students enrolled for the first time in the fall plus those that enrolled in the prior summer for the first time and continued into the fall term. The weightings in the composite score are given by the fraction of students within each of the two cohorts (FTICs and CCTs).

$$M_1 = w_1 * GR_{FTIC} + (1-w_1) * GR_{CCT}$$

where

w_1 = (Number of FTICs)/([Number of FTICs] + [Number of CCTs])

Data source: SUS Retention and Graduation Cohort Files (as provided in the SUS Fact Books, Table 57). Note: Cohort files are built from the University Student Data Course Files using the definition that includes students "from the fall term and from the previous summer term who continue into the fall term."

Justification: A primary indicator of student achievement at a university is the timely graduation of students. This measure recognizes the State interest in students completing their degree in a timely fashion. The measure focuses on the majority of undergraduate students where it is reasonable to have an expectation of completion within a given time frame. Because 6-year and 4-year graduations are used, this measure lags current management actions and are more reflective of policies (e.g., admissions) that may be 6 or 7 years old.

Benchmark: The Graduation Rate measure uses **External Benchmarks**. Having a high percentage of FTICs that graduate within six years and a high percentage of transfers that graduate within four years is important to the state and the university. It is an indicator that students are able to successfully achieve their degrees in a reasonable amount of time. Data are available for the SUS institutions on graduation rates. Since this is an important measure state-wide and has been used as an accountability measure in the past, external benchmarks are used.

Performance Measure M2: FIRST-YEAR RETENTION RATE

Title of Measure: First-Year Retention Rate

Description: This measure is a weighted average of the FTIC first-year retention (RET_{FTIC}) and the AA and AS transfer student first year retention (RET_{CCT}) rates. The measure tracks the cohort of annual students (summer, fall, spring) and determines the percent that return the following fall term. The weights are determined by the fraction of students in the two cohorts (FTIC and CCT).

$$M_2 = w_2 * RET_{FTIC} + (1-w_2) * RET_{CCT}$$

where

w_2 = (Number of FTICs)/([Number of FTICs] + [Number of CCTs])

Data source: University Retention and Progression Reports. Note: FTIC and CCT cohort groups are made up of students enrolling annually (summer, fall, spring); retention is based on students re-enrolling the following Fall term. (AA and AS cohort is made up of students that begin at UCF with either the AA or AS degree).

Justification: Many studies indicate that a student's chance of completing the Bachelor's degree is significantly increased if the student is retained through the first year. UCF is strongly interested in seeing that students make it through successfully in this critical first year. This

measure is highly predictive of student achievement (graduation) and does reflect current policy and initiatives.

Benchmark: The First-Year Retention Rate measure uses **Internal Benchmarks**. Retention is another important measure for the state and for UCF. Studies have shown that if students are retained through the first year, there is a much higher likelihood that they will be successful through graduation. For internal management purposes, UCF computes an annual first-year retention rate and focuses many of its programs and support services on improving that rate. Because this is an important measure internally for UCF and UCF closely monitors its improvement, internal benchmarks are used.

G2: SB1162 Goal #2—Seamless Articulation and Maximum Access

Performance Measure M3: PERCENT OF STUDENTS WITH <= 115% OF DEGREE REQUIREMENTS

Title of Measure: Non-excess Credit Hours

Description: This measure is a weighted average of the percentage of FTIC students that graduate with a total accumulated number of credit hours that are less than or equal to 115% of the degree requirements ($115\%_{FTIC}$) and the percentage of AA and AS transfer students that graduate with a total accumulated number of credit hours that are less than or equal to 115% of the degree requirements ($115\%_{CCT}$). A student's total degree hours are measured upon completion of the baccalaureate degree. Students are allowed to exceed the State approved total degree hours by 15%. Therefore, students in a 120-hour degree program are allowed to have 138 hours before exceeding the allowable number of hours, taking into consideration such factors as transfer hours counted toward the degree and withdrawn, repeated, or failed hours. The weightings are based on the fractions of FTIC and CCT graduates similar to Measure 1.

$$M_3 = w_3 * 115\%_{FTIC} + (1-w_3) * 115\%_{CCT}$$

where

w_3 = (Number of FTICs grads)/([Number of FTICs grads] + [Number of CCTs grads])

Data source: SUS Hours to Degree File. Note: Data files are made up of students earning the Bachelor's degree during the year (summer, fall, and spring). The AA and AS cohort is made up of students that begin UCF with either the AA or AS degree.

Justification: This measure provides an indication that students are articulating well from the community colleges and progressing to graduation without having to take excess courses. This also provides an indication that FTICs are receiving the necessary advising and courses needed to complete their degree, without a significant number of excess hours.

Benchmark: The Non-excess Credit Hours measure uses **External Benchmarks**. The 2001-2002 General Appropriations Act Measures currently include this as one of the measures. This measure is an indicator of the percent of students that can make it through to graduation without

taking a large number of excess hours. Since data are available for the SUS institutions, external benchmarks are used.

Performance Measure M4: PERCENT OF AA AND AS TRANSFERS ENROLLED AT UCF

Title of Measure: Percent AA and AS Transfers Enrolled at UCF

Description: This measure computes the fraction of Florida community college transfer students that enroll at UCF (CCT_{UCF}) out of the total number of community college graduates that enroll in one of the SUS institutions (CCT_{SUS}) who graduated from community colleges in the State of Florida.

$$M_4 = 100*(CCT_{UCF})/(CCT_{SUS})$$

Data source: SUS Fact Book Table 9 "Community College Students transferring into the State University System" (Fall terms). Note: A transfer student is determined by using University Student Data Course Files (Type of student at time of most recent admission is equal to a "J" <community college transfer> and highest degree held is equal to an AA or AS.)

Justification: This measure is designed to measure the University's commitment to providing access to the graduates from Florida's community colleges.

Benchmark: The Percent AA and AS Transfers Enrolled at UCF measure uses **Internal Benchmarks**. This measure provides an indicator of UCF's commitment to continue to provide access to community college graduates from Florida's community colleges. This is an important internal measure for UCF and consequently, internal benchmarks are used.

G3: SB1162 Goal #3—Skilled Workforce and Economic Development

Performance Measure M5: DEGREES PER NEWLY ENROLLED STUDENTS

Title of Measure Degree Production Rate

Description: This measure is computed as the number of bachelors (#B), masters (#M), and doctorates (#D) awarded in a given year divided by the total number of new students enrolled six years prior (#HC). The #HC from 6 years prior is a simple proxy for the aggregate cohort of students from which the graduates are drawn.

$$M_5 = 100*(\#B + \#M + \#D)/\#HC$$

Data source: IPEDS Postsecondary Completions (as reported in the SUS Fact Book, Table 29). Note: Degrees reported to IPEDS may differ slightly than University Degree Reports due to late degree postings. New students come from University Headcount reports.

Justification: This measure captures the total degree production adjusted for the size of new student enrollment base from six years prior. Students graduating from UCF are important to the development of a skilled workforce.

Benchmark: The Degree Production Rate measure uses **Internal Benchmarks**. Increasing the number of degrees produced at an increasing rate is important to UCF and the economic development in the state. Since comparable annual historical data on the number of newly enrolled students are not readily available for the other SUS institutions and this is an important internal measure for UCF, internal benchmarks are used.

Performance Measure M6: CRITICAL AREA DEGREE PRODUCTION

Title of Measure Critical Area Degree Production

Description: This measure is a computed as the total number of degrees awarded in a given year in a set of critical areas (CAD) identified by their CIP Codes (see Data source).

$$M_6 = CAD$$

Data source: University Degree Reports. Degrees reported are for CIP Codes listed in Appendix B "Targeted Public and Independent College and University Bachelor's Programs (from the Workforce Estimating Conference Summary, August 30, 2001).

Justification: This measure captures the degree production in critical need areas for the State. Students with degrees in these targeted areas are critically important for the economic development of the State and meeting workforce shortages in key areas.

Benchmark: The Critical Area Degree Production measure uses **Internal Benchmarks**. The state has identified a large set of degrees that are considered to be critical need areas. UCF is committed to helping to supply graduates in these areas at an increasing rate. Since comparable data on graduates by CIP Code for the other SUS institutions are not readily available and this is an important internal measure for UCF, internal benchmarks are used.

G4: SB1162 Goal #4—Quality Efficient Services

Performance Measure M7: STUDENT SATISFACTION

Title of Measure: Student Satisfaction

Description: This measure is the percent of graduating Bachelors degree students ($RATE_B$), giving a rating of their ***academic experience*** as "good" to "excellent" out of the total number of responses (RES).

$$M_7 = 100 * RATE_B/RES$$

Data source: UCF's Graduating Senior Survey. The survey is conducted each semester using an internally developed Scantron form. These surveys form an integral part of UCF's institutional effectiveness process supporting both regional (SACS) and program accreditation needs. Students that are expected to graduate during the given semester complete this survey. Students are required to complete the survey when they come to the college offices to pick up their intent to graduate form. The response rate on this survey is over 85%.

Justification: Satisfaction of our students is an important measure of university performance. The university conducts an extensive set of surveys to determine where improvements are needed in services and academic programs. UCF is committed to operational excellence and institutional effectiveness.

Benchmark: The Student Satisfaction measure uses **Internal Benchmarks**. UCF uses a variety of surveys to support institutional effectiveness and continuous improvement. These surveys also provide an indication of the students' satisfaction with their educational experience. Currently, the state does not have a common survey instrument, so that no comparable data are available for the SUS institutions. Because this is an important measure to UCF that is continually monitored, internal benchmarks are used.

Performance Measure M8: COST PER COMPLETER

Title of Measure: Cost Per Completer

Description: This measure is the ratio of the total E&G expenditures (E&G$) to the total number of BS, MS, and PhD degrees (DEG) for the most recent year. Law school and Medical school expenditures and degrees are not included.

$$M_8 = E\&G\$/DEG$$

Data source: SUS Expenditure Reports and IPEDS degree data.

Justification: This is an important measure of efficiency where low costs coupled with high quality (as measured by the other nine measures) indicate that the university is operating in a cost effective manner.

Benchmark: The Cost per Completer uses **External Benchmarks with a linear projection**. UCF is committed to providing a quality education in an efficient manner. This measure provides an indication of the efficiency of the educational process. Efficiency is also of particular interest to the state. Because data are available for the SUS institutions, external benchmarks are used. It should be noted that because costs are expected to grow with inflation, unlike the other external benchmarks that use averages from the prior year, the method for setting the standards uses a linear projection on the past five years of data on the peer institutions and the SUS as a whole. Specifically, a linear regression model is fitted to the five years of data (Florida Peer average, or SUS average for each year). The projection for the sixth (next) year is then used to create the performance targets as indicated in section 3.

G5: University Goal: Knowledge and Scholarship

Performance Measure M9: PUBLICATIONS PER TENURED AND TENURE-EARNING FACULTY

Title of Measure: Publications per Tenured and Tenure-earning Faculty

Description: This measure is a ratio of the total number of publications recorded in the ISI (#ISI) for UCF in a given year to the total number of tenured and tenure-earning faculty (#FAC).

$$M_9 = \#ISI/\#FAC$$

Data source: Publication count is taken from the Institute for Scientific Information Citation Index (Science Citation Index Expanded, Social Sciences Citation Index, and Arts & Humanities Citation Index found at http://webofscience.com) and faculty counts from the IPEDS Fall Staff reports. Note: Tenured and tenure-earning faculty does not include Administrators with rank.

Justification: Publications are important contributions that universities make to the scientific and knowledge base of the state and country. This measure is a rough estimate of the university's contribution to the scientific literature adjusted by the size of the faculty. It should be noted that the ISI database only counts an article once for the institution and that only papers that appear in selected scientific journals are counted. As a result, this measure should not be interpreted as a complete measure of faculty productivity, since it is an underestimate of the true number of research papers and other creative activities per faculty.

Benchmark: The Publications per Tenured and Tenure-earning Faculty measure uses **Internal Benchmarks**. Scholarship and creative activities are essential and important parts of a university's contribution to the advancement of knowledge. This measure provides an indicator of UCF's performance in this area. Because UCF is interested in continuing to increase its publication productivity, internal benchmarks are used.

Performance Measure M10: R&D EXPENDITURES PER TENURED AND TENURE-EARNING FACULTY

Title of Measure: R&D Expenditures Per Tenured and Tenure-earning Faculty

Description: This measure is a ratio of the total R&D Expenditures (R&D$) to the total number of tenured and tenure-earning faculty (#FAC).

$$M_{10} = R\&D\$/\#FAC$$

Data source: R&D Expenditures taken from the National Science Foundation Database and faculty counts from the IPEDS Fall Staff reports. Note: R&D Expenditures include federal, state, and contract research. Tenured and tenure-earning faculty does not include Administrators with rank.

Justification: Research is an important contribution that universities make to the knowledge base of the state and country. This measure is an indicator of the university's contribution to research adjusted by the size of the faculty who are expected to be research-active. It should be noted that faculty also conduct unfunded research that is not captured in this measure. The size and number of research contracts vary widely by discipline and collaboration among researchers is highly encouraged. As a result, this measure should not be interpreted as a complete measure of faculty productivity, since it is an underestimate of the true research contribution per faculty.

Benchmark: The R&D Expenditures per Tenured and Tenure-earning Faculty measure uses **External Benchmarks Using Research Universities in the SUS**.. Funded research also provides an indication of the institution's contribution to the advancement of knowledge. UCF is interested in becoming stronger within the state in generating external funds. Because data are available for the other SUS institutions, external benchmarks are used. Unlike the other external benchmarks that use the average of all SUS institutions, this measure only uses the Research institutions in the SUS for its benchmark. In this instance, the comparison SUS institutions only include those with a significant research component, namely the Florida Peers plus UF and FSU.

3. PROPOSED UCF PBF MODEL

The proposed performance-based funding model is used to control the final 10% of UCF's E&G appropriated funds. The proposed model is based on the following guiding principles:

The PBF model should:

1. Ensure acceptable levels of performance and encourage performance improvement
2. Aim for clarity and simplicity
3. Account for the fact that some measures are more important than others
4. Account for natural variability in performance measures
5. Have general applicability at all SUS institutions using their own performance measures

3.1 Performance-Based Funding Model Structure

The 10% of appropriated funds is conditional on meeting a set of performance standards consistent with the goals in SB1162 and the 2001-2002 General Appropriations Act. The proposed performance-based funding model controls the allocation of funds consistent with that requirement. As described in a previous section, in addition to the four goals specified in SB1162, it is proposed that a fifth goal related to knowledge development and scholarship be added to reflect a major component of a university's mission. Two measures are used to characterize the university's performance with respect to each of the goals. The general goal and performance measure structure is illustrated in figure 1.

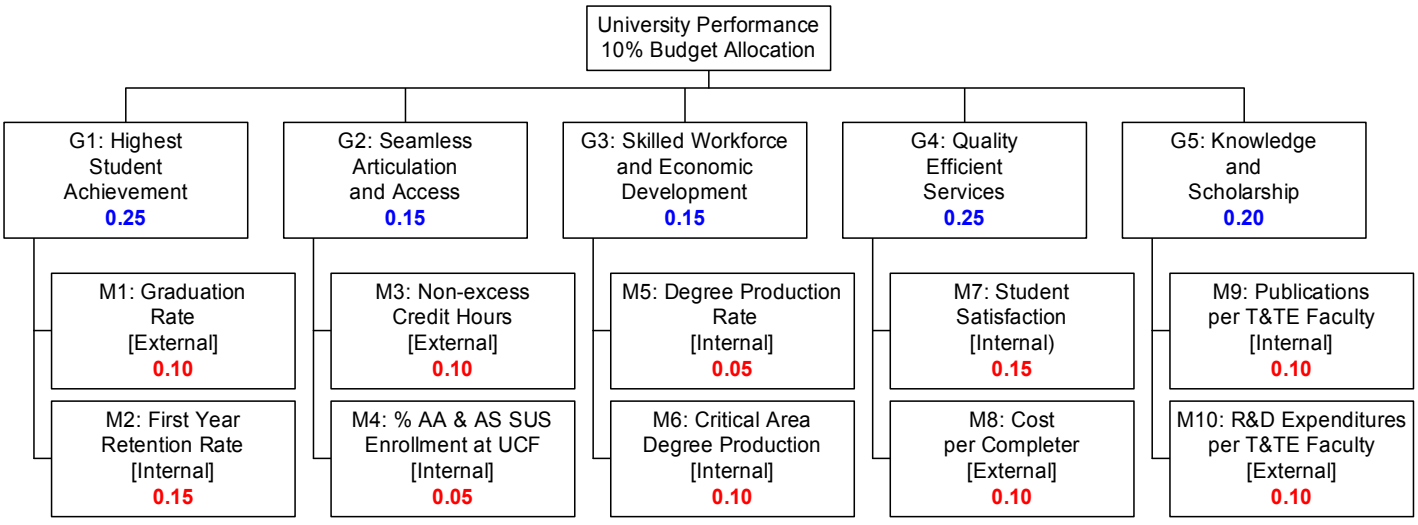


Figure 1. University Performance Model Structure

For a given university, it is reasonable to assume that all of the goals are not equally important, and similarly, both measures under each goal may not be equal contributors to achieving that goal. We propose that a weighting scheme be used with the following characteristics.

- The five goals will be weighted to reflect their relative importance to the university's mission. The goal weights will sum to one. (see figure 1, G1 – G5)
- Each measure under a given goal will be weighted to reflect its relative importance to achieving the goal. The measure weights under each goal will sum to one.
- Each measure weight will be multiplied by the corresponding goal weight to compute a "performance measure weight" that represents the contribution of that measure to overall university performance. (see figure 1, M1 – M10).

Various methods can be used to develop the weights. Each university will have its own set of weights (and perhaps unique measures under each goal). The weights will be determined by the appropriate university decision-makers (e.g., President, Provost, Deans, Board of Trustees).

For UCF, the President and Provost identified both Highest Student Achievement (G1) and Quality Efficient Services (G4) as being of equal importance and together being equal to the importance of the other three goals. Knowledge and Scholarship (G3) was next most important followed by both Seamless Articulation and Access (G2) and Skilled Workforce and Economic Development (G3), both equally important. These preferences led to the weights shown for the goals in figure 1.

For Goal 1, it was felt that more weight should be given to the First Year Retention Rate (M2) than the Graduation Rate (M1) as a performance measure since it better reflects current policies. For Goal 2, Non-excess Credit Hours (M3) was about twice as important at % AA & AS SUS Enrollment (M4). For Goal 3, Critical Areas Degrees (M6) was about twice as important as the overall Degree Production Rate (M5). For Goal 4, Student Satisfaction (M7) was slightly more important than Cost Per Completer (M8). For Goal 5, both Publications (M9) and R&D Expenditures (M10) were considered equally important. These preferences are represented as relative weights for each goal.

The weights associated with the goals and measures can be summarized in a table similar to figure 2. The performance measure weights in the final column (computed as the product of the relative weight and its associated goal weight) represent the weights will be used with the performance standards to determine how the budget allocation is affected.

	Goal weight	Relative weight	Performance Measure weight (Wi)
G1:	.25		
M1:		.4	.10
M2:		.6	.15
G2:	.15		
M3:		.67	.10
M4:		.33	.05
G3:	.15		
M5:		.33	.05
M6:		.67	.10
G4:	.25		
M7:		.6	.15
M8:		.4	.10
G5:	.2		
M9:		.5	.1
M10:		.5	.1

Figure 2. University Performance Measure Weights

3.2 Computation of Performance Standards

The intent of the performance-based funding model is to ensure that the university is providing an acceptable level of performance and to encourage performance improvement. The use of performance standards is intended to provide a mechanism to accomplish these objectives. In all of these measures, it is recognized that there is a certain amount of natural variability. Selecting performance standards should account for this variability in some way and not penalize a university for outcomes that may be low for no other reason than chance, or to reward a university for outcomes that may be very high for no other reason than chance.

General structure for the performance standards

Three performance levels are specified for each of the ten measures: Minimum Acceptable, Performance, and Stretch Targets defined as follows.

- **Minimum Acceptable Performance**: performance below this level is considered unacceptable.
- **Performance Target**: performance at or above this level is considered adequate.
- **Stretch Target**: performance at or above this level is considered to be worthy of reward.

The use of the three performance standards provides some allowance for natural variability in the performance data. They are used in the following allocation model to determine how the 10% of appropriated funds is allocated. The different performance levels are illustrated in figure 3. Note that figure 3 also identifies a "Maximum Reallocation Level." This value is used to limit the level of over-performance that can be applied in the reallocation part of the model and is not a separate performance standard.

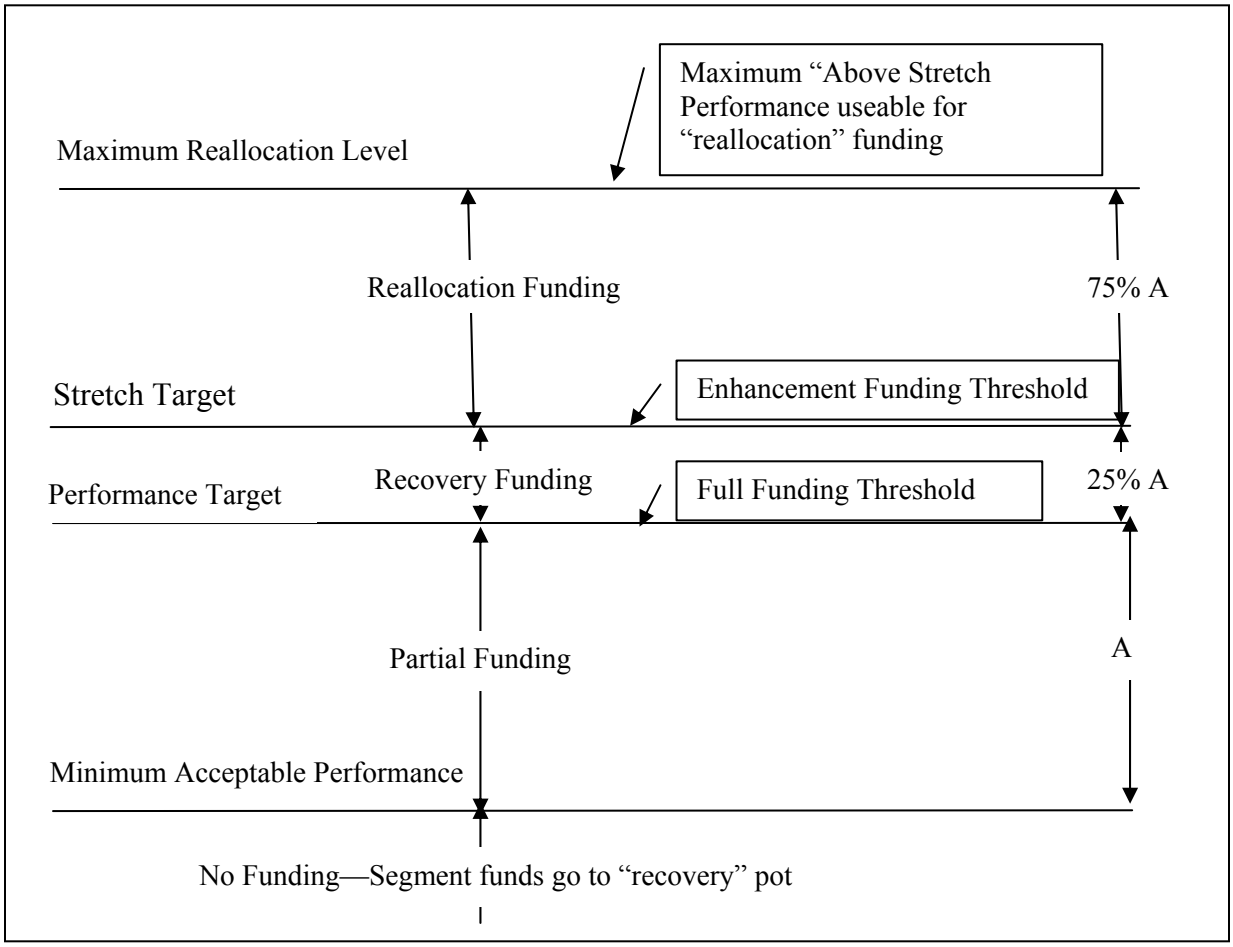


Figure 3. Graphical Depiction of Performance Standards

Two methods are proposed for setting standards: use of internal performance benchmarks and use of external performance benchmarks. The choice of method depends on the type of measure and the availability of benchmark data. In addition, it is desirable to strike a balance between external benchmarks (comparing favorably with peers) and internal benchmarks (trying to achieve internal improvement).

Method 1: Internal Performance Benchmarks

Internal benchmarks consider UCF's performance over the past five years. The internal benchmarks are constructed to encourage improvement in performance. As defined below, the Minimum Acceptable Performance level requires performance to always be better than your

worst performance over the past five years. The Performance Target that assures full funding is the average of the best performance in three of those years. This strongly biases the targets in the direction of improvement. The performance standards are computed using data from the previous five years as follows.

- **Minimum Acceptable Performance** equals the average of the two lowest values in the previous five years of performance data.
- **Performance Target** equals the average of the three highest values in the previous five years of performance data.
- **Stretch Target** equals the Performance Target level plus 25% of the difference between the Performance Target and the Minimum Acceptable Performance.

Method 2: External Performance Benchmarks

External benchmarks compare UCF with peer institutions and the SUS as a whole. In the UCF PBF Model, the UCF peer institutions are:

- University of South Florida
- Florida International University
- Florida Atlantic University.

These institutions are metropolitan universities with comparable enrollments and missions.

Benchmark performance standards are based on computing an average value for the particular performance measure for the Florida Peers (AVE_{PEER}) and the entire SUS (AVE_{SUS}).

- **Minimum Acceptable Performance** equals the lower of the Florida Peer and SUS averages
  $$\text{Minimum}\{AVE_{PEER}, AVE_{SUS}\}$$
- **Performance Target** equals the higher of the Florida Peer and SUS averages.
  $$\text{Maximum}\{AVE_{PEER}, AVE_{SUS}\}$$
- **Stretch Target** equals the Performance Target level plus 25% of the difference between the Performance Target and the Minimum Acceptable Performance

For Measure 8 (Cost per Completer), the values used are the predicted values based on a linear regression model of the five years of data rather than the average for the previous year. For Measure 10 (R&D Expenditures per T &TE Faculty) uses only the Research Institutions when computing AVE_{SUS}.

In the above calculations for methods 1 and 2, the arithmetic mean is used to compute the averages. The use of these three performance levels provides some allowance for natural variability in the performance data. They are used in the following allocation model to determine how the 10% of appropriated funds is allocated.

3.3 Funding Allocation Model

It is proposed that budget allocation levels be based on a combination of the performance measure weights and the performance standards. Specifically, the performance measure weights are used to control the portion of the 10% of appropriated funds that can be allocated. For discussion purposes, we refer to the portion corresponding to a given measure as a "budget

segment." Thus, for UCF there are ten budget segments (S1 through S10) corresponding to the 10 measures (M1 through M10) that have assigned weights (W1 through W10).

The product of the amount of the 10% of appropriated funds and the associated weight gives the amount associated with each budget segment. For example, if the 10% of appropriated funds amounted to $10,000,000 and a given measure (e.g., M2) had a weight of 0.15, then the dollars associated with S2 would be $1,500,000.

The allocation model includes five categories of funding:

- No funding
- Partial funding
- Full funding
- Recovery funding
- Reallocation funding

Figure 4 is used to illustrate the funding allocation concepts:

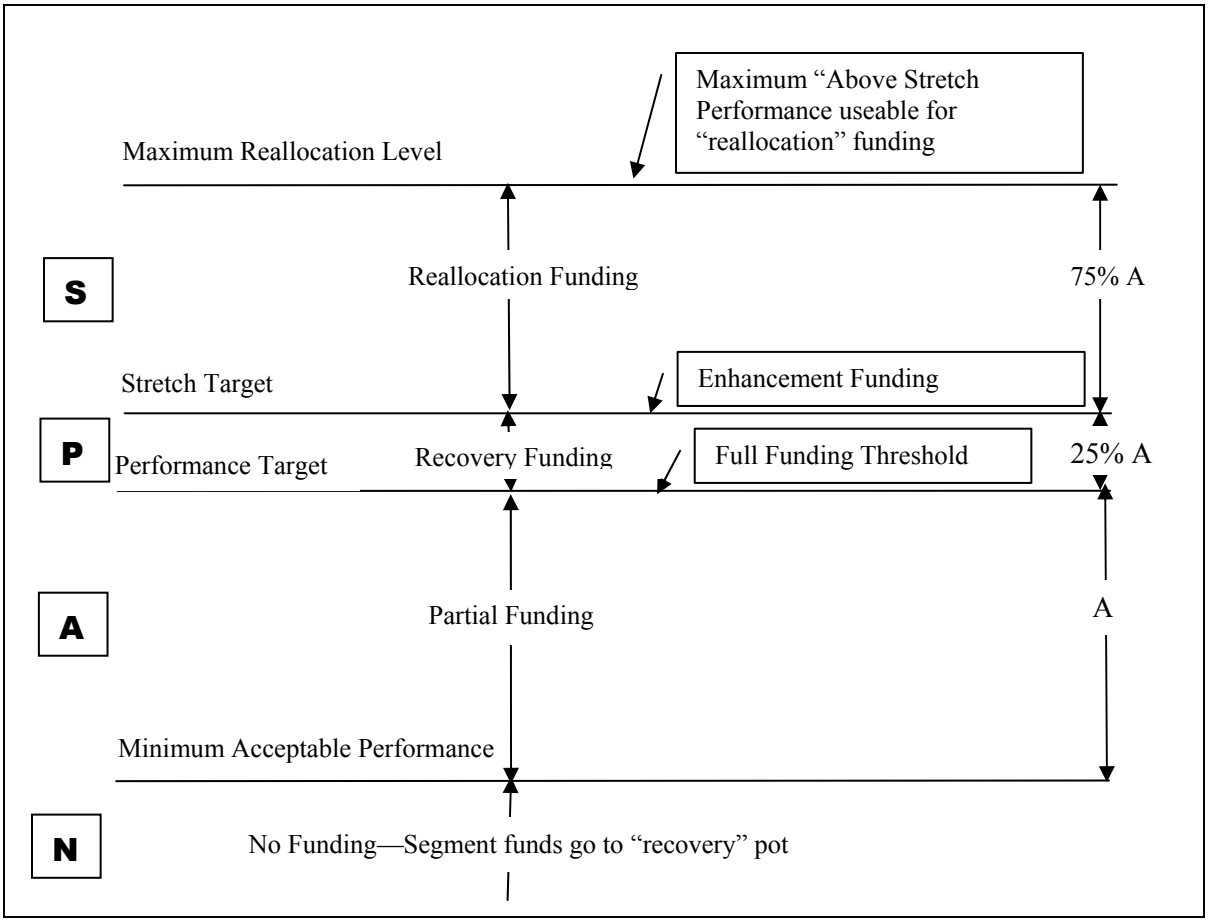


Figure 4. UCF Performance-Based Funding Model Allocation Scheme

The following allocation rules are proposed.

No Funding
If actual performance on a given measure is below the **Minimum Acceptable Performance** Level (in region **N** in Figure 4), no funding is provided directly from the corresponding budget segment. However, the unallocated funds are transferred to a "**Recovery Fund**" account for possible recovery by the university corresponding to above target performance on other measures.

Partial Funding
If actual performance on a given measure is above the **Minimum Acceptable Performance** Level but below the **Performance Target** (in region **A** in Figure 4), partial funding is provided directly from the corresponding budget segment corresponding to the percentage of the actual performance relative to the range from the minimum to the target. The remaining unallocated funds from this budget segment are transferred to the "**Recovery Fund**" account for possible recovery by the university corresponding to above target performance on other measures.

Full Funding
If actual performance on a given measure is above the **Performance Target** (in region **P, S**, or above in Figure 4), full funding is provided directly from the corresponding budget segment.

Recovery Funding
If actual performance on a given measure is above the **Performance Target** (in region **P, S**, or above in Figure 4), the above target performance can be used to "recover" funds lost by below target performance on other measures (tradeoff objective). In particular, the cumulative weighted percentage above (over all measures) provides a dollar for dollar recovery corresponding to the cumulative weighted percentage below. Note that the "percentage above" is limited to 100% of the range from **Minimum Acceptable Performance** to the **Performance Target**. The following is a more detailed description of the computations involved:

Suppose that the amount in the **Recovery Fund** constitutes ***X*** percent of the 10% of appropriated funds. Compute the product of the weight (Wi) and the percent by which the **Performance Target** was exceeded (%PTEi) for each budget segment. Note: if the **Performance Target** was not exceeded, %PTEi is zero. In some cases, a single measure may exceed the **Performance Target** by a very large amount. Thus, in order to ensure that there is a reasonable bound on the amount that any one measure can recover, a maximum of 100% of Wi is the maximum percent that is allowed for recovery for each measure.

Take the sum of these values and denote by ***Y***. The resulting value, ***Y***, is a weighted (and bounded) average of the amount by which the **Performance Targets** were exceeded.

Compute $\boldsymbol{Z = Y - X}$. If $\boldsymbol{Z} \geq 0$, then the above **Performance Target** performance of the measures has "offset" all of the below performance and all of the funds in the **Recovery Funding** would be recovered. If $\boldsymbol{Z} \leq 0$, then the percent of the 10% of appropriated funds that can be recovered is given by ***Y***.

A university will either recover all of the funds from the recovery account or not. If not, the unallocated funds may be transferred (if desired) to a **Reallocation Fund** to be distributed as enhancement funds to universities with superior performance.

Reallocation Funding (optional)
Reallocation funding is available to be distributed to those universities with superior performance that have received all of their appropriated funding from partial, full, and recovery funding methods. If actual performance on a given measure is above the **Stretch Target** (in region **S** or above in Figure 4), the above stretch target performance can be used to obtain reallocation funds subject to the maximum limit. Any portion of the stretch target performance used to recover own funds may not be used to seek reallocation funds. The above stretch target weighted performance is further weighted by the particular university enrollment level to determine the overall fraction of the reallocation account that is reallocated to a given university.

Note that if $Z \geq 0$, the amount recovered from the **Recovery Fund** represented by Z includes recovery fractions from both regions **P** and **S**. It is required that any amount distributed from the **Reallocation Fund** can depend **only** on that portion by which the **Stretch Target** is exceeded. The following computation effectively removes the performance associated with region **P** when $Z \geq 0$.

Compute the product of the weight (Wi) and the percent by which the **Stretch Target** was exceeded (%STEi) for each budget segment. Note: if the **Stretch Target** was not exceeded, %STEi is zero. In some cases, a single measure may exceed the **Stretch Target** by a very large amount. Thus, in order to ensure that there is a reasonable bound on the amount that any one measure can recover, a maximum of 75% of Wi is the maximum percent that is allowed for reallocation for each measure.

Take the sum of these values and denote by S. The resulting value, S, is a weighted (and bounded) average of the amount by which the **Stretch Targets** were exceeded. Compute Q = Minimum (S , Z). This is the cumulative, weighted amount by which the **Stretch Target** performance was exceeded.

The next step is to weight the cumulative stretch performance from each university, Q_i, by the total enrollment for the university, E_i, and finally, to normalize these values to sum to one in order to compute the fraction of the **Reallocation Fund** that will be distributed to each university.

4. APPLICATION OF THE PROPOSED UCF PBF MODEL

The application of the proposed performance-based funding model to the University of Central Florida is illustrated in the Appendix. The basic data and graphs depicting UCF's performance relative to the performance standards is demonstrated for each performance measure. In general, the application used data from 1999-2000 to establish the performance standards. Actual UCF performance data from 2000-2001 is then compared to the standards.

In the application, UCF falls short of meeting its Performance Target on four measures while exceeding its Stretch Target on five measures. The net result is that UCF would be fully funded and have excess above Stretch Target performance to compete for any enhancement funds. The results of the allocation are illustrated in figure 5.

Appropriation $1,000,000

	Measures	Weights	Budget Segment	Percent above or Below Performance	Weighted percent lost	Weighted Between Performance and Stretch	Weighted Percent Above Stretch Target	Weighted percent recovered (total)	University Recovery Funds	UCF Full Funding	UCF Partial Funding	Recovered Funds	Total Funds
M1	Graduation Rate (External)	0.1	$100,000	-8%	0.8%	0.0%	0.0%	0.0%	$8,460	$0	$ 91,540		
M2	First Year Retention Rate (Internal)	0.15	$150,000	197%	0.0%	3.7%	11.3%	15.0%	$0	$150,000	$ -		
M3	Non-Excess Credit Hours (External)	0.1	$100,000	214%	0.0%	2.5%	7.5%	10.0%	$0	$100,000	$ -		
M4	% AA & AS SUS Enrollment (Internal)	0.05	$50,000	-24%	1.2%	0.0%	0.0%	0.0%	$11,879	$0	$ 38,121		
M5	Degree Production Rate (Internal)	0.05	$50,000	-28%	1.4%	0.0%	0.0%	0.0%	$14,048	$0	$ 35,952		
M6	Critical Area Degrees (Internal)	0.1	$100,000	116%	0.0%	2.5%	7.5%	10.0%	$0	$100,000	$ -		
M7	Student Satisfaction (Internal)	0.15	$150,000	79%	0.0%	3.8%	8.1%	11.9%	$0	$150,000	$ -		
M8	Cost per Completer (External)	0.1	$100,000	1371%	0.0%	2.5%	7.5%	10.0%	$0	$100,000	$ -		
M9	Publications per T&TE faculty (Internal)	0.1	$100,000	4%	0.0%	0.4%	0.0%	0.4%	$0	$100,000	$ -		
M10	R&D Expend. per T&TE faculty (External)	0.1	$100,000	-43%	4.3%	0.0%	0.0%	0.0%	$43,448	$0	$ 56,552		
		1	$1,000,000		7.8%	15.4%	41.9%	57.3%	$77,834	$700,000	$ 222,166	$ 77,834	$ 1,000,000
	SUS Reallocation Weight								41.9%				

Figure 5. Example UCF PBF Model Allocation Summary

5. LIMITATIONS AND EXTENSIONS

The use of Minimum Acceptable Performance, Performance Target, and Stretch Target provide a mechanism for meaningful comparisons using external or internal data. The structure does not prescribe any systemwide standards or performance expectations. The drawback to the proposed approach is that internal benchmarks are strongly biased toward rewarding improving performance. There is no construct that says that a particular performance level is "good enough." The model could be easily modified to incorporate such a possibility. At any point, a university using this model should be able to provide justification for using a different set of performance targets rather than relying on a formula based approach.

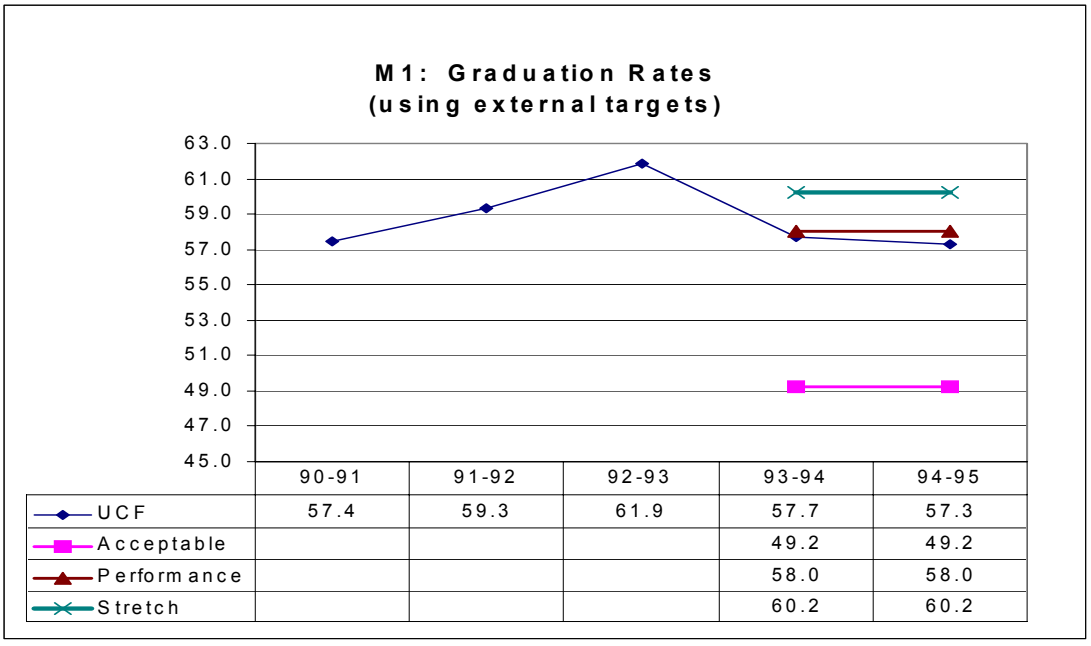
The model approach is easily adapted for other institutions. It is amenable to any number of performance measures provided that they can be weighted in terms of relative importance. For UCF, the two measures for each of five goals seemed to capture the most important elements in a succinct way. A key characteristic is that all of the measures use official university data and all is available at the SUS level except for the student satisfaction (Measure 7).

APPENDIX

The Appendix includes the data used to compute the performance measures and the value of the performance measures and standards for each performance measure.

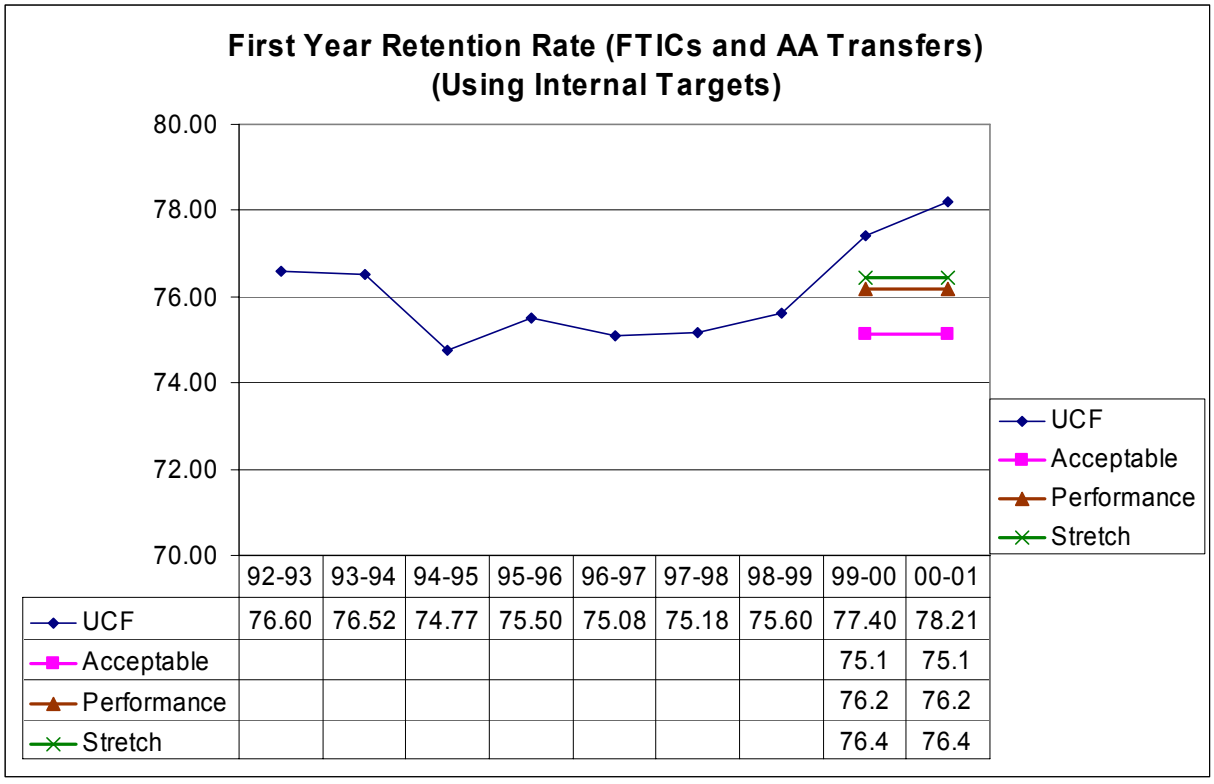
M1: Graduation Rate

		90-91	91-92	92-93	93-94	94-95	
UCF	Cohort		2613	3451	3749	3955	4414
	Rate		57.4	59.3	61.9	57.7	57.3
FAMU	Cohort				1560	1662	1831
	Rate				49.3	45.5	40.5
FAU	Cohort				1529	1474	1589
	Rate				48.1	45.6	45.0
FGCU	Cohort						
	Rate						
FIU	Cohort				2016	2390	2665
	Rate				48.1	48.9	44.2
FSU	Cohort				5116	5323	5401
	Rate				67.0	65.6	62.9
UF	Cohort				5698	6279	6431
	Rate				68.3	68.9	71.3
UNF	Cohort				1162	1210	1472
	Rate				46.6	46.2	52.2
USF	Cohort				3516	3462	3410
	Rate				51.8	51.0	48.9
UWF	Cohort				933	1009	1010
	Rate				47.1	49.7	48.7
SUS	Cohort				25279	26764	28223
	Rate				59.0	58.0	57.0



M2: First Year Retention Rate

	95-96	96-97	97-98	98-99	99-00	00-01
FTIC First Year Retention Rates						
Cohort	2694	2876	3092	4072	4548	4998
Rate	70.8	70.1	72.8	75.1	76.6	78
AA and AS Transfer First Year Retention Rates						
Cohort	3239	3192	3168	3146	3401	3141
Rate	79.407	79.574	77.494	76.248	78.477	78.542
% FTIC	0.45407	0.473962	0.49393	0.564145	0.572147	0.61408
FY Retention Rate	75.50	75.08	75.18	75.60	77.40	78.21



	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
UCF	76.60	76.52	74.77	75.50	75.08	75.18	75.60	77.40	78.21
Acceptable								75.1	75.1
Performance								76.2	76.2
Stretch								76.4	76.4

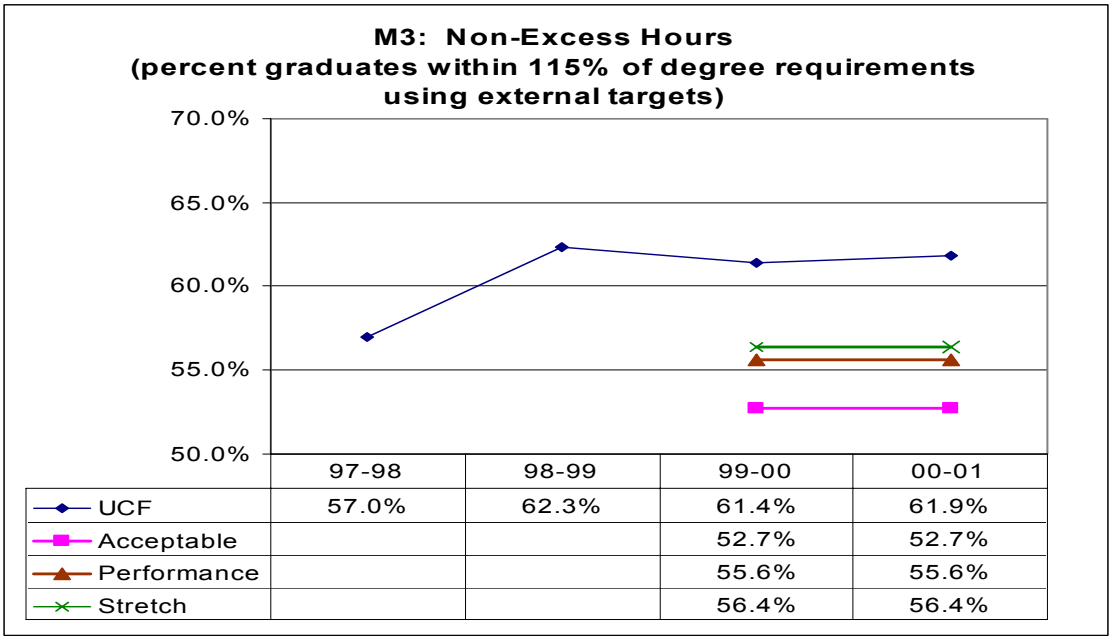
M3: Non-excess Credit Hours

1999-2000

FTICs[1]				AA-Transfers[1]			
Univ	<=115%	Total	Pct.	Univ	<=115%	Total	Pct.
FAMU	361	912	39.58%	FAMU	52	148	35.14%
FAU	262	407	64.37%	FAU	657	962	68.30%
FGCU	0	0	N/A	FGCU	108	161	67.08%
FIU	435	1,017	42.77%	FIU	541	1,060	51.04%
FSU	1,260	2,154	58.50%	FSU	742	1,225	60.57%
UCF	739	1,157	63.87%	UCF	1,656	2,746	60.31%
UF	2,160	4,054	53.28%	UF	1,113	1,925	57.82%
UNF	181	355	50.99%	UNF	468	813	57.56%
USF	449	1,004	44.72%	USF	727	1,374	52.91%
UWF	133	227	58.59%	UWF	328	535	61.31%
	5,980	11,287	52.98%		6,392	10,949	58.38%

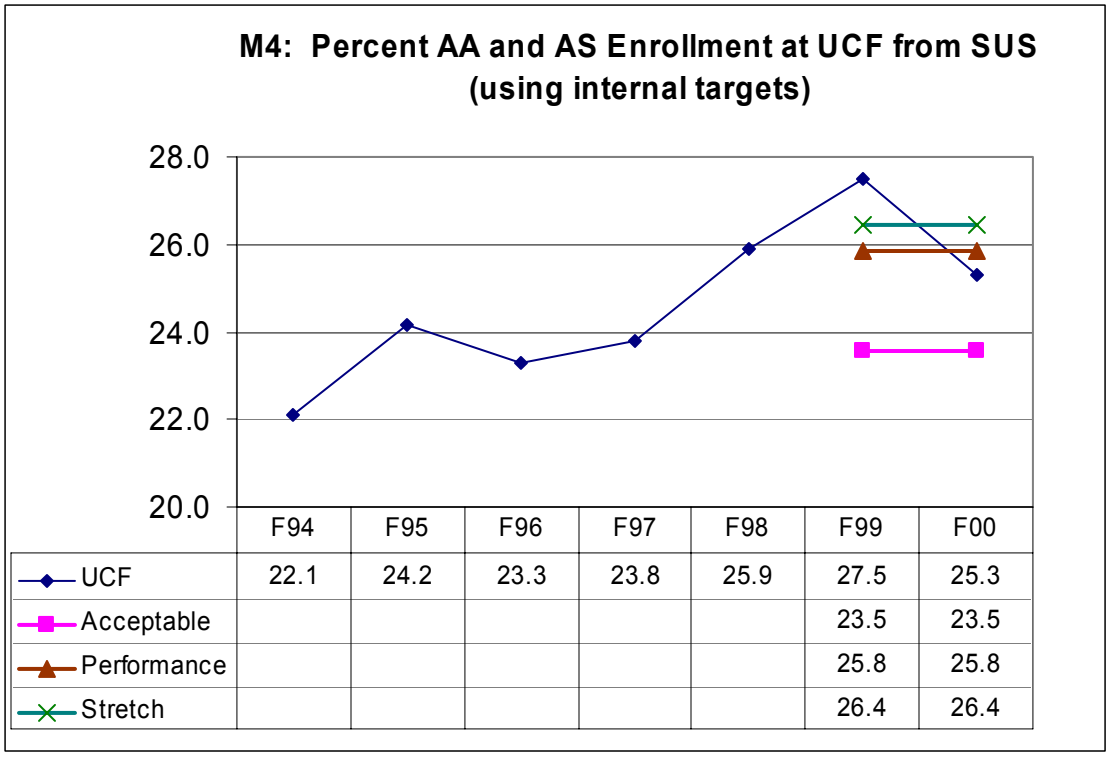
2000-2001

FTICs[1]				AA-Transfers[1]			
Univ	<=115%	Total	Pct.	Univ	<=115%	Total	Pct.
FAMU	295	871	33.87%	FAMU	33	140	23.57%
FAU	282	455	61.98%	FAU	715	1,037	68.95%
FGCU	8	9	88.89%	FGCU	103	208	49.52%
FIU	414	997	41.52%	FIU	620	1,023	60.61%
FSU	1,398	2,293	60.97%	FSU	743	1,234	60.21%
UCF	810	1,265	64.03%	UCF	1,801	2,956	60.93%
UF	2,335	4,231	55.19%	UF	1,037	1,856	55.87%
UNF	256	446	57.40%	UNF	440	736	59.78%
USF	511	1,091	46.84%	USF	195	375	52.00%
UWF	119	213	55.87%	UWF	300	512	58.59%
	6,428	11,871	54.15%		5,987	10,077	59.41%



M4: Percent AA and AS Transfers Enrolled at UCF from SUS

	F94	F95	F96	F97	F98	F99	F00
AA and AS Transfers							
In UCF	1827	1988	2041	2213	2315	2425	2372
In SUS	8271	8225	8759	9304	8941	8823	9375
% at UCF	22.1	24.2	23.3	23.8	25.9	27.5	25.3

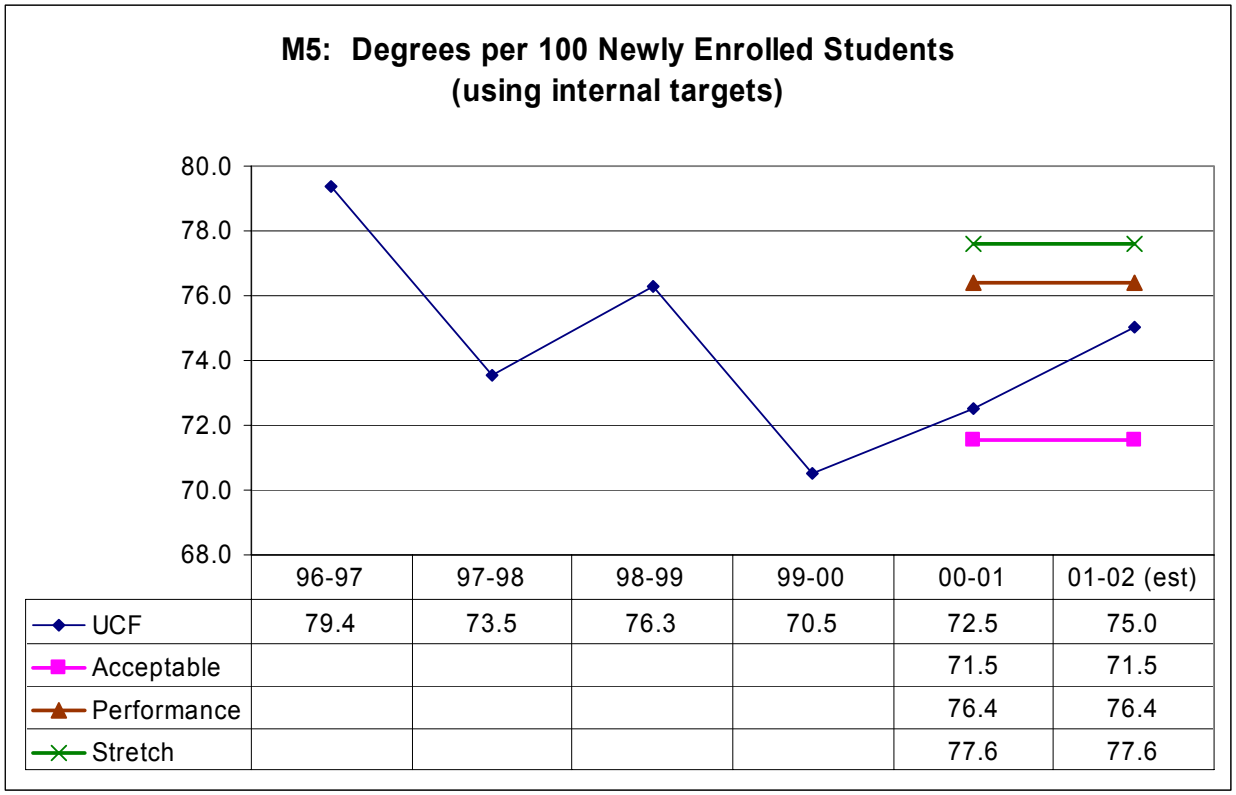


	F94	F95	F96	F97	F98	F99	F00
UCF	22.1	24.2	23.3	23.8	25.9	27.5	25.3
Acceptable						23.5	23.5
Performance						25.8	25.8
Stretch						26.4	26.4

M5: Degree Production Rate

	95-96	96-97	97-98	98-99	99-00	00-01	01-02 (est)
B	4894	5041	5334	5457	5417	5804	6323
M	1060	1186	1226	1294	1298	1560	1545
D	77	76	69	89	66	89	124
Total	6031	6303	6629	6840	6781	7453	7992

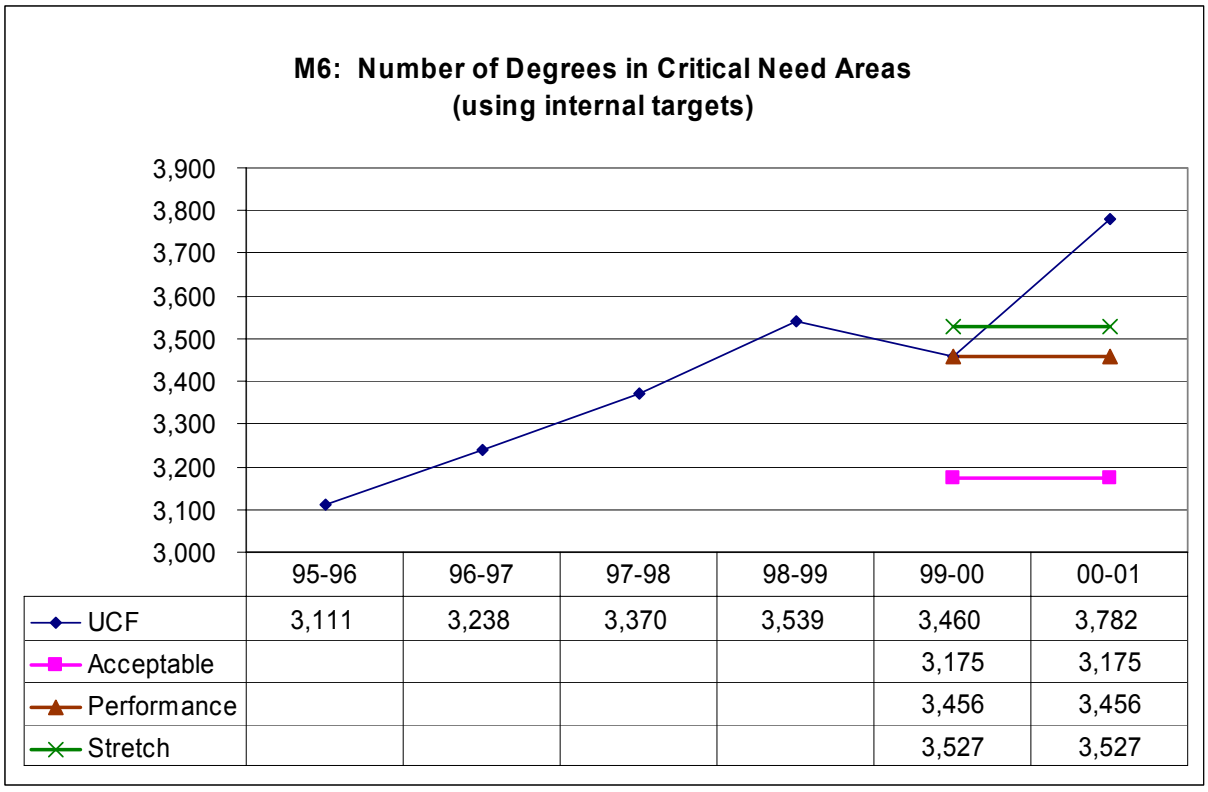
	89-90	90-91	91-92	92-93	93-94	94-95	95-96
FTEs		12283.7	11989.4	12357	13972	15166.1	15789.6
Headcount (new)		7939	9016	8969	9614	10275	10652
Headcount		21377	21267	21682	23532	25363	26325
Degrees per 100 new students		79.4	73.5	76.3	70.5	72.5	75.0



	96-97	97-98	98-99	99-00	00-01	01-02 (est)
UCF	79.4	73.5	76.3	70.5	72.5	75.0
Acceptable					71.5	71.5
Performance					76.4	76.4
Stretch					77.6	77.6

M6: Critical Area Degree Production

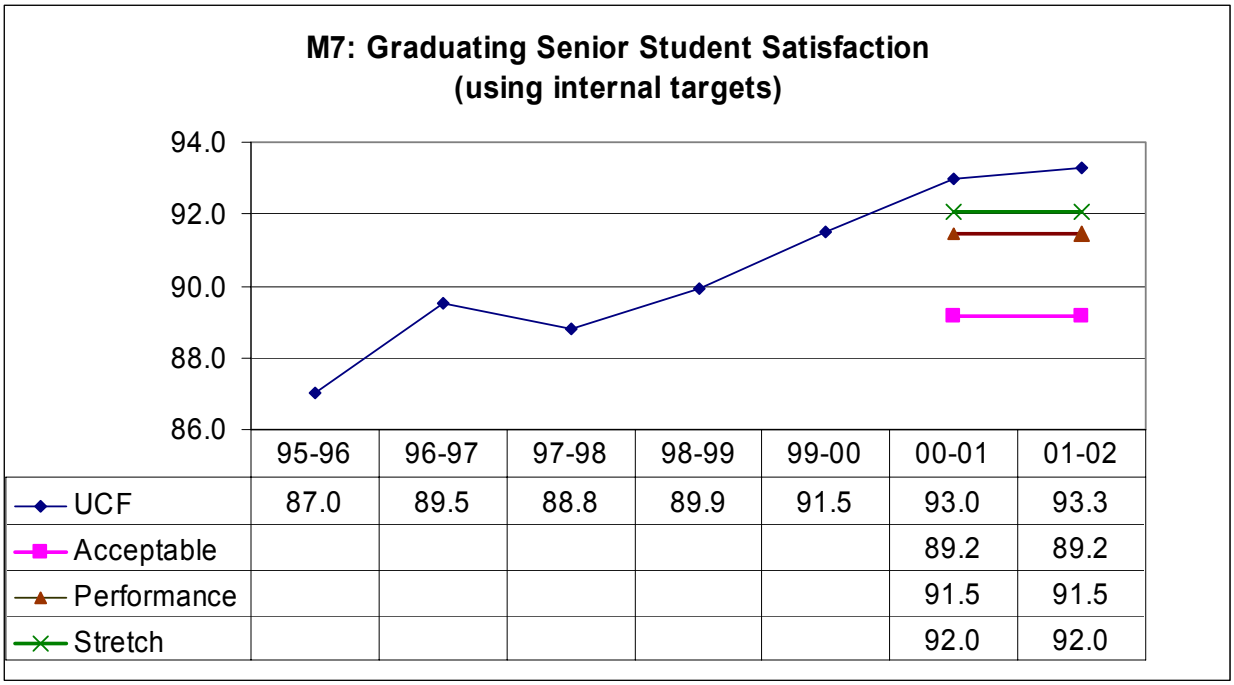
CIP	CIP TITLE	95-96	96-97	97-98	98-99	99-00	00-01
11.0101	Computer Science	94	107	112	127	115	139
13.1001	Exceptional Child	0	0	0	0	0	0
13.1001	Excep Child-Mental Retardation	22	21	34	17	15	16
13.1001	Excep Child-Emotional Disturb	17	18	24	17	16	22
13.1001	Excep Child-Specif Learn Dis	75	78	81	80	70	59
13.1202	Elementary Education	322	328	321	379	346	379
13.1204	Early Childhood Education	38	34	38	61	63	72
13.1302	Visual Arts Education	10	6	8	5	3	9
13.1303	Bus. Education (Comp.)	0	0	0	0	0	0
13.1305	English Lang. Arts Educ.	35	30	31	29	27	18
.							
.							
.							
52.0101	General Business Admin.	194	238	244	233	214	246
52.0201	Management	205	209	213	329	225	184
52.0301	Accounting	198	208	198	222	166	191
52.0801	Finance	174	194	214	256	230	273
52.1401	Marketing	175	198	199	178	189	206
52.1201	Mgmt Information Systems	0	0	0	0	189	283
		3,111	3,238	3,370	3,539	3,460	3,782



	95-96	96-97	97-98	98-99	99-00	00-01
UCF	3,111	3,238	3,370	3,539	3,460	3,782
Acceptable					3,175	3,175
Performance					3,456	3,456
Stretch					3,527	3,527

M7: Student Satisfaction

	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Bachelors	87.0	89.5	88.8	89.9	91.5	93.0	93.3



	95-96	96-97	97-98	98-99	99-00	00-01	01-02
UCF	87.0	89.5	88.8	89.9	91.5	93.0	93.3
Acceptable						89.2	89.2
Performance						91.5	91.5
Stretch						92.0	92.0

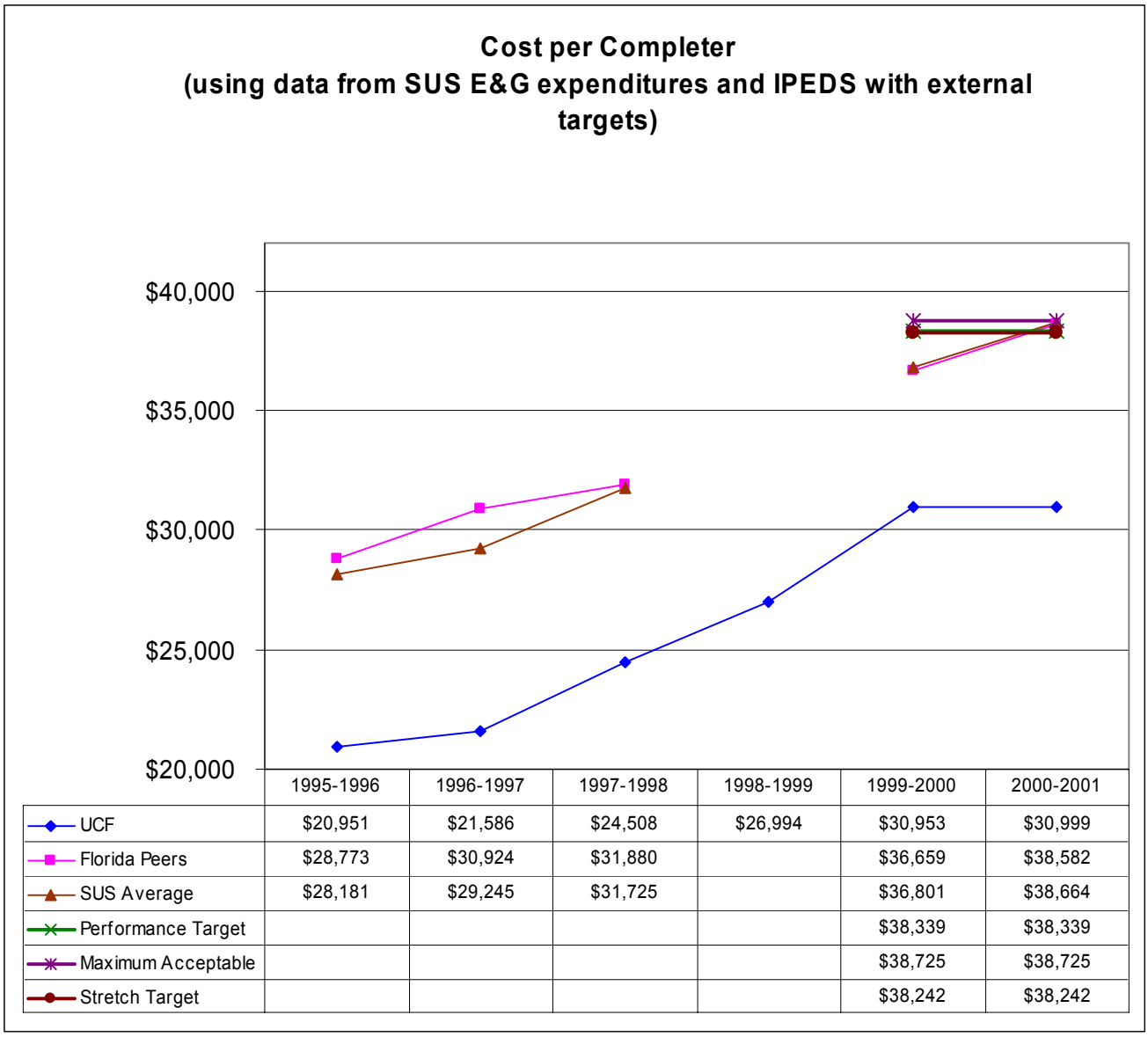
M8: Cost per Completer

Institution Name	Total educational and general expenditure (SUS Expenditure Analysis, Report IV, Column E)					
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
UCF	$126,125,670	$135,627,840	$162,069,822	$184,640,245	$209,333,795	$220,803,314
FAU	$102,223,515	$110,590,471	$122,183,683	$135,334,102	$143,043,160	$150,969,951
FIU	$144,905,267	$159,122,838	$174,163,072	$188,520,026	$197,492,129	$210,504,851
USF	$191,541,800	$204,370,864	$221,014,811	$241,669,510	$252,280,257	$267,020,622
UF	$230,899,219	$239,136,326	$260,249,024	$324,106,777	$346,004,787	$366,181,598
FSU	$207,063,900	$219,774,504	$240,496,270	$252,724,843	$284,625,697	$318,070,651
FAMU	$82,194,406	$87,246,641	$96,454,299	$109,345,291	$112,070,265	$128,610,344
UWF	$47,236,262	$48,258,236	$51,315,000	$53,974,666	$57,763,661	$60,920,640
UNF	$48,514,825	$52,990,369	$61,421,489	$68,318,415	$72,392,822	$77,437,552
FGCU	$2,152,833	$8,039,457	$33,467,542	$32,576,039	$33,756,506	$35,110,288
Total	$1,182,857,697	$1,265,157,546	$1,422,835,012	$1,591,209,914	$1,708,763,079	$1,835,629,811

Institution Name	BS, MS, and PhD Degrees Awarded					
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
UCF	6,020	6,283	6,613	6,840	6,763	7123
FAU	3,273	3,304	3,745		3,964	4010
FIU	4,902	5,017	5,317		5,629	5533
USF	7,504	7,409	7,304		6,501	6667
UF	8,390	8,870	8,974		10,308	10,633
FSU	6,816	7,129	7,350		7,005	7,188
FAMU	1,689	1,706	1,630		1,799	1,764
UWF	1,657	1,741	1,699		1,701	1,543
UNF	1,722	1,802	2,217		2,283	2,372
FGCU					479	644
Total	41,973	43,261	44,849	6,840	46,432	47,477

Institution Name	Total E&G Expenditure per Degree						
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	
UCF	$ 20,951	$ 21,586	$ 24,508	$ 26,994	$ 30,953	$ 30,999	
FAU	$ 31,232	$ 33,472	$ 32,626		$ 36,086	$ 37,648	
FIU	$ 29,560	$ 31,717	$ 32,756		$ 35,085	$ 38,045	
USF	$ 25,525	$ 27,584	$ 30,259		$ 38,806	$ 40,051	
UF	$ 27,521	$ 26,960	$ 29,000		$ 33,567	$ 34,438	
FSU	$ 30,379	$ 30,828	$ 32,721		$ 40,632	$ 44,250	
FAMU	$ 48,665	$ 51,141	$ 59,174		$ 62,296	$ 72,908	
UWF	$ 28,507	$ 27,719	$ 30,203		$ 33,959	$ 39,482	
UNF	$ 28,174	$ 29,406	$ 27,705		$ 31,710	$ 32,647	
FGCU					$ 68,008	$ 52,417	Prediction
Peer Average	$ 28,773	$ 30,924	$ 31,880		$ 36,659	$ 38,582	$ 38,339
SUS Average	$ 28,181	$ 29,245	$ 31,725		$ 36,801	$ 38,664	$ 38,725
Maximum Acceptable					$ 38,725	$ 38,725	
Performance Target					$ 38,339	$ 38,339	
Stretch Target					$ 38,242	$ 38,242	

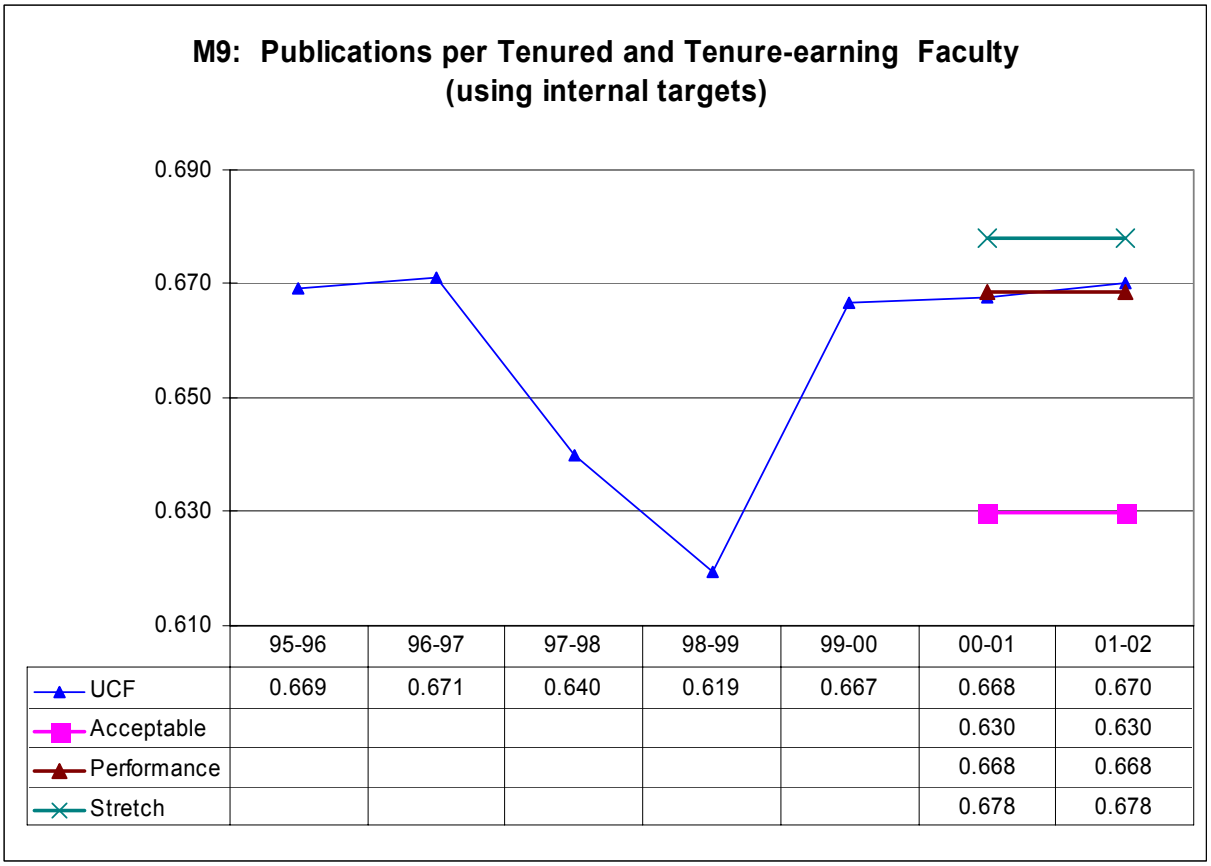
M8: Cost per Completer



	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
UCF	$20,951	$21,586	$24,508	$26,994	$30,953	$30,999
Florida Peers	$28,773	$30,924	$31,880		$36,659	$38,582
SUS Average	$28,181	$29,245	$31,725		$36,801	$38,664
Performance Target					$38,339	$38,339
Maximum Acceptable					$38,725	$38,725
Stretch Target					$38,242	$38,242

M9: Publications per Tenured and Tenure-Earning Faculty

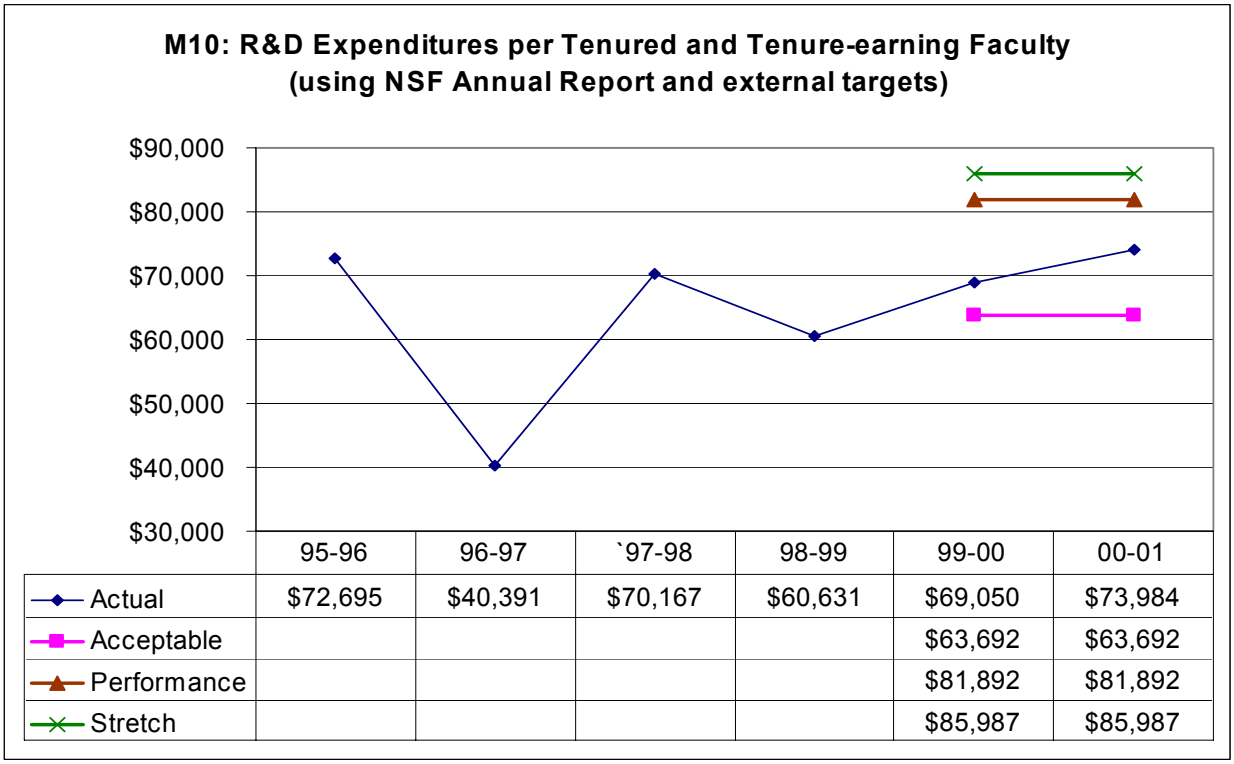
	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Pubs	342	357	352	363	410	430	449
Faculty	511	532	550	586	615	644	670
Pubs/Faculty	0.669	0.671	0.640	0.619	0.667	0.668	0.670



	95-96	96-97	97-98	98-99	99-00	00-01	01-02
UCF	0.669	0.671	0.640	0.619	0.667	0.668	0.670
Acceptable						0.630	0.630
Performance						0.668	0.668
Stretch						0.678	0.678

M10: R&D Expenditures per Tenured and Tenure-Earning Faculty

Institution Name	NSF R&D Expenditures (in thousands)					
	1995	1996	1997	1998	1999	2000
UCF	$ 37,147	$ 21,488	$ 38,592	$ 35,530	$ 42,466	$ 47,646
FIU	$ 16,375	$ 16,856	$ 17,359	$ 17,880	$ 25,061	$ 34,649
FAU	$ 13,776	$ 10,576	$ 10,521	$ 14,265	$ 17,151	$ 19,535
USF	$ 92,758	$ 94,157	$ 99,649	$ 104,325	$ 123,961	$ 145,397
UF	$ 199,216	$ 255,099	$ 272,373	$ 274,862	$ 304,447	$ 304,511
FSU	$ 86,060	$ 78,125	$ 95,908	$ 94,463	$ 97,673	$ 105,095
	Tenure and Tenure-earning Faculty					
UCF	515	532	550	586	615	644
FIU			642		682	
FAU			517		584	
USF			1,106		992	
UF			2,327		2,307	
FSU			967		984	
	NSF R&D Expenditures (in thousands)/T&TE faculty					
UCF	$ 72,695	$ 40,391	$ 70,167	$ 60,631	$ 69,050	$ 73,984
FIU			$ 27,039		$ 36,746	
FAU			$ 20,350		$ 29,368	
USF			$ 90,099		$ 124,961	
UF			$ 117,049		$ 131,967	
FSU			$ 99,181		$ 99,261	
Peer Average			$ 45,829		$ 63,692	
SUS Research Average			$ 70,647		$ 81,892	



COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

Institution: University of Florida
Name: Dr. David R. Colburn_____
Title: Provost and Senior VP_____
Phone Number_352-392-6404_____

E-mail: Colburn@ufl.edu

Please e-mail response to:
Dr. Nancy C. McKee at
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by June 11, 2003.

Phone: (850) 487-0517 or
Suncom: 277-0517

1. What additional fiscal or administrative flexibility do you need to improve the efficiency or performance of your institution?

During the 2003 Legislative session UF and FSU prepared a proposal to the leaders of the Legislature and the Governor, which sought the establishment of a contract with the Legislature to provide educational services to the state - see http://www.ufl.com/program.html This proposed "contract" outlines what we believe is necessary for the UF to move forward into the future. Basically, we believe that the University would be much more successful if it had some certainty in its budget for more than one year so that it could plan for the future. http://www.ufl.com/rationale.html provides the rationale for such a "contract" and why UF and FSU would be good candidates as pilot institutions. I won't repeat this document, but its main points can be summarized in three ways: 1) the Legislature pays for enrollment growth; 2) the BOT has the authority to set matriculation, tuition, and local fees to meet the needs of the individual University. With regard to Bright Futures, the University will be treated as the State currently treats private institutions in Florida. The University will guarantee that no need-based Bright Future's recipient will be adversely affected by its tuition or fee policy; and 3) the restoration of General Revenue funds cut by the Legislature in 1999-2003 fiscal years. UF has lost $52 million in general revenue funds during this period or approximately 10 percent of our state budget. This proposed contract will only ensure success for the universities if the general revenue funds are restored, and the universities can address the need for salary increases to hire and retain outstanding faculty and improve the quality of education by reducing class-size ratios.

2. What are the strengths of the state's current funding process? How does the state's current funding process assist in the efficiency or performance of your institution?

Support for major campus construction projects (PECO), for new and phased-in space, and support for PO&M.

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

Survey for Funding Committee

3. What are the weaknesses of the state's current funding process? How does the state's current funding process hinder the efficiency or performance of your institution?

The process does not allow for long-term planning, strategic development, and assessment, because funding has wavered dramatically over the past five years. Moreover, the University has little or no time to plan for the next fiscal year with the current Legislature process. We finish with one session and are asked almost immediately to propose a legislative budget request for the next session, without having the time to consider the full implications of the decisions made by the legislature. Universities and university employees are also not state agencies in the classic sense. The people we recruit as faculty and students are highly educated and talented and are recruited by the best universities all over the United States. For faculty, we must provide competitive salaries and benefits and do so over time, or we will lose them to the best universities in the country. For undergraduate and graduate students we have to offer a quality education that is recognized as such both nationally and internationally. If we don't, these top students will not come to UF, and the state will lose its ability to compete with the leading technology belts in the country.

4. What are the unique challenges faced by your delivery system or institution that require unique funding solutions?

The Legislature needs to realize that graduate students employed as research and teaching assistants do not generate revenue, matriculation or tuition, and thus should not be used in any calculation of revenue increases. The fact is they add additional costs, but they are, nevertheless, essential to our unique mission. This has been an on-going problem in the communication with legislative leaders. So, when the legislature looks at our budget and calculates enhancements, these dollars must be subtracted out to get a true picture. Each university and its BOT should be allowed to define a residency plan for those graduate students who are employed as research or teaching assistants. No one model fits all. A model for UF with reliance on contract and grants may not be an ideal model for FIU.

5. What institutional and student behaviors should be rewarded by the state and how should they be rewarded?

- Investment in technology transfer to help enhance the state's economy and contributions made by researchers who bring visibility and economic

opportunities to the state and help attract industry and investment.
- Student achievement, including graduation rates, matriculation to graduate and professional school, job success, and employer satisfaction.
- Providing critical service to the state.
- Commitment of strategic plan to meeting critical needs of the state.
- Ranking among major research universities in the United States and progress in those rankings over time.

The University of Florida regularly rates all its academic units against its peers and the top ten universities in the nation. We use those measures to determine areas in which we need to improve, and then we focus resources on making those improvements. UF currently ranks among the top five public universities in its four-year graduation rate and among the top ten public universities in its freshmen retention rate.

Rewards for these measures should be negotiated in the contract.

6. a. What are the performance reward systems being implemented at your institution, either through state directives or through local initiatives?

The University has a Strategic Plan that has been approved the BOT and endorsed by the Faculty Senate. UF also has an annual review process in which it uses both qualitative and quantitative measures from each college or unit. Each college is asked to report on the future of the college in terms of the University Strategic Plan, in addressing critical state needs and in terms of its national standing.

b. Are they effective? If so, what makes them effective? If not, what makes them ineffective?

This process is effective because it drives the allocation process made by the President and the Provost.

c. What would be viable alternatives? What behaviors not currently being rewarded should be rewarded and how?

Again, we believe the proposed contract for services would be an excellent alternative.

COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT

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8. What alternatives to the current funding approach would be appropriate for improving your delivery system?

The proposed contracting system with the State of Florida.

9. What are the advantages and disadvantages of each of the approaches suggested in #8? Consider, for example, whether the approaches are equitable, provide stability, provide an appropriate balance between state and local funds (including student fees), help achieve state goals, help meet student demand, etc.

If the contract were approved by the Legislature, it would provide the University with a planning horizon that is longer than a fiscal year. It would therefore facilitate long-term strategic planning and the ability to implement that plan.

(Note: This is USF's response to the survey)

Nancy,

We discussed the CEPRI survey about the state's funding process. I have thought about the questions you asked and wanted to offer an opinion based on both my experiences in other states and the research in the education literature on this topic.

Let me start by pointing out the obvious. No university budgets colleges and departments the way that the state budgets higher education. If you think about it you will realize that the behaviors the formula is designed to promote are not the behaviors that universities naturally practice. Yes, formula budgeting is supposedly intended to reward achievement of state goals, usually to grow enrollment and create access, but the reality is that these formulas are simply a way to ratify decisions that have already been made about how funding is to be allocated. The level of judgment about institutional spending is shifted from the local level and local boards to the state level where there is no real connection with operations and program management.

This is an exercise in control, not in development or investment. Universities do not directly tie appropriated funds to the units that generate the funds because these funds have to pay costs in addition to those generated in the classroom. Graduate education and research require faculty activities that do not directly generate credit hours. Appropriated funds have traditionally included tuition and fee revenue, the single largest self generated funds that university has. In fact state and the federal government place restriction on contracts and grants that leave these as the only flexible funds the university has. The state contract overhead rate of 5% may have made sense when the universities were fully supported state agencies, but not now.

Having said this, I admit to you that this sort of incremental budgeting is used because it is simple and better than what we know as "muddling through." The solution to this type of incremental budgeting is not as simple. Campuses usually end up practicing a form of performance or incentive budgeting. Zero based budgeting doesn't't work because unlike organizations where the base level of activity can change radically, such as a hospital in a community with other hospitals, in higher education a four year commitment is made to undergraduate students and this creates a stability and need for predictability that is characteristic of these institutions. Performance or incentive budgeting is usually carried out as an addition to a formula or incremental base budget. The base is usually made as simple as possible to create stability and predictability. A separate allocation is then made available to reward or encourage institutions that conduct specific activities that meet state goals and can be measured or evaluated.

The two important points to this scheme are that the base distribution is seen as simple, fair, equitable and predictable, and the incentive is for performance that is easily measured. The base distribution is tied to inputs. The incentive is tied to outputs.

Institutions have a base budget that reflects enrollment and the ability to innovate and compete for additional funds. The agreement is that the base will be stable from year to year and that the incentive amount will vary based on available resources. Everybody knows this and can plan accordingly.

Carl Carlucci
Executive Vice President
University of South Florida