**Commission for Higher Education - Budget and Fiscal Policy Committee**

November 21, 2011 Meeting Minutes

**Attendees**: William Bogard, Cindy Brinker, Jason Dudich, John Grew, Gretchen Gutman, Chris LaMothe, Jeff Linder, Teresa Lubbers, Eileen O’Neill Odum, Phil Rath, Mike Smith, Ken Sauer, Jason Bearce, Chris Murphy, Tim Sanders

Ms. Odum called the meeting to order at 12:05pm EST and set forth the agenda for the phone call.

First, Ms. Odum noted that for the Performance Funding Formula (PFF) metrics, there had been much discussion and review by the Committee regarding the metrics. The goal for this portion of the agenda was to make final determinations as to the metrics recommended to be used in the formula for 2013-15. She noted that of the metrics being discussed, data was not available for all metrics and therefore, modeling of the formula would not be possible at this time. Ms. Odum further noted that the focus of the discussion at their meeting should be on the metrics themselves and not weighting of the formula, funding allocation or other financial related items.

Ms. Odum then asked Mr. Dudich to review when the data for the metrics would be provided to CHE and how CHE would use the data to prepare the Commission’s budget recommendation. Mr. Dudich stated that the institutions will provide the PFF data sets to CHE as requested in the budget instructions that will be issued in the spring of 2012 for the budget submissions due in August 2012. Since most of the data is derived from the institutions, CHE would receive all data for the formula metrics sometime in August of 2012.

Mr. Dudich noted that CHE staff would review data provided by the institutions and prepare a PFF recommendation through the budget development process. This process would start in September 2012 and ultimately result in a vote on a funding recommendation by the Commission in December 2012. The recommendation will then be submitted to the Governor and the General Assembly for their consideration from January 2013 through May 2013. Finally Mr. Dudich noted that the new Performance Funding Formula would take effect on July 1, 2013 and be applied to results for each institution during the two years 2014 and 2015.

Mr. Smith noted his concerns that the Performance incentives during the funding for the fiscal year ending June 2014 could not be considered when the institutions submit their budgets in August 2012. Ms. Lubbers noted that even with a delay in communication of all metrics, institutions should be focused on improving degree completion and make it their primary focus.

Ms. Odum thanked the Committee for their comments and then went through the list of proposed revisions to metrics in the formula. She inquired about each metric and asked Committee members to weigh in with their thoughts for keeping metrics as previously drafted or make adjustments suggested by staff. ***(Updated draft attached)***. Some minor adjustments were made, but the overall metrics proposed would be:

* Overall Degree Completion Rate
* At -Risk Degree Completion Rate
* High Impact Degree Completion Rate
* Student Persistence metric
* Remediation Success metric
* On-Time Graduation Rate
* Institution Defined Productivity metric

Mr. Smith asked the question regarding system wide underperformance and if there would be a financial impact to institutions. Mr. Dudich noted that currently the institutions are not penalized for underperformance in metrics. Mr. Smith asked if all performance funding would be provided to institutions, leaving no funding on the table? Mr. Dudich state tall all appropriated funds would be allocated. Mr. Smith raised concerns that CHE might want to think about the impact of this if we really want to create a performance culture. Ms. Lubbers noted that including underperforming metrics in the formula might create a larger pool of money in another metric, potentially inflating or overstating the weighting of a particular metric.

Ms. Odum noted that an agreement had been reached on the metrics and asked Mr. Dudich for next steps. Mr. Dudich noted that he would clean up the current metric document and provide the updated revised metrics to all Commission members by Tuesday November 22nd. Ms. Odum asked Mr. Dudich to provide the Committee with the revised document by Monday November 21st so that any final edits could be made by members of the Committee. Mr. Dudich noted he would do so, with the plan to provide Commission members the revised metrics document no later than close of business on November 22nd and then provide to institutions by Wednesday, November 23rd.

Mr. Dudich noted that a report to the State Budget Committee regarding revisions to the metrics in the PFF was due December 2, 2011. Mr. Dudich stated that the report is being drafted and would include the process taken by CHE to develop the revised metrics, the HCM report and other information. He also stated the report would note that the proposed metrics were still in draft form and would not be final until the Commission voted on the metric during the December 9th meeting.

Ms. Odum reminded the Committee of the vote on the metrics during the December 9th Commission meeting and that any feedback from Commission members would be welcome but will need to be communicated prior to December 9th in order to make any potential changes.

Ms. Odum then asked Mr. Dudich to provide an update regarding the legislative mandates set forth in which the Commission must report to the General Assembly.

Mr. Dudich stated the Entrepreneurship Inventory project was completed as of November 1, 2011 and information had been posted on CHE’s website and the report filed with the Legislative Council. Mr. Dudich noted the report had been provided to Commission members for their information.

Mr. Dudich continued with the Financial Transparency project in which the status report was provided to the Legislative Council and the State Board of Finance on November 15, 2011. The status report noted that CHE plans to have the financial transparency website live and running by November 30, 2011. Mr. Dudich noted that Commission members should have received a copy of the status report.

Finally, Mr. Dudich updated the Committee regarding the Ivy Tech Space and Enrollment study. A final report is due to the State Budget Committee before December 1, 2011. The report is currently being compiled and additional information had been requested from Ivy Tech in order to finalize the report. Mr. Dudich noted the report would be completed and provided to the State Budget Committee along with Commission members by December 1, 2011.

Ms. Odum then moved on to other projects before the Committee including the Capital Project Review process and the 2013-15 Budget Instructions project.

Mr. Dudich noted that he and Mr. LaMothe had met to discuss the timeframe for the Capital Project Review process and development of both a tactical and strategic plan for review of capital projects. Mr. LaMothe noted that based on the timeframe, the Committee would need to develop a new approach to reviewing capital projects brought before the Commission by March of 2012. This would be the tactical approach to this project Mr. LaMothe noted. During the December 2012 Committee meeting, Mr. LaMothe and Mr. Dudich would seek feedback from Committee members regarding the review of capital projects and what Commission members want to review when projects are requested. Mr. LaMothe noted that a more strategic vision of higher education capital should be discussed as well and stated it might take more time to develop such a vision.

Mr. Dudich updated the Committee regarding the Budget Instructions project. He stated that this project will continue to develop and that the instructions will take on higher priority in the coming months. Mr. Dudich stated he had met with legislative staff and Budget Agency staff to seek thoughts and feedback on changes to the instructions. He noted that the legislative staff focused on a few key schedules but not many changes were suggested. Mr. Dudich stated most feedback and changes would probably come from the Commission itself and institutions. The next step of the project is to inquire with institutions as to their recommended changes to the instructions. Mr. Dudich stated Dr. Chamberlin would be assisting on this project to ensure that CHE is not requesting data that is duplicative to other sources and that data requested in the instructions is clearly defined so as to be consistent across all institutions. Mr. Dudich noted that the project plan for the Budget Instructions needs to be updated and will be provided to the Committee at its next meeting.

Mr. Smith noted the work several institutions are engaged in regarding healthcare costs and healthcare information and asked that such information be incorporated into the data provided through the budget submissions. He also noted information regarding tuition discounting should also be included in the budget submissions.

Ms. Odum moved on to future Committee projects and noted the list of tasks originally assigned to the Committee to review and act upon. Ms. Odum noted that these projects need to be discussed during the December meeting to determine next steps.

Finally Ms. Odum inquired about future Committee meetings and asked members to begin looking at their calendars for 2012 and thinking of days that would work best for members. The common theme that arose from this discussion was that Wednesday morning meetings would work best, but final dates would be discussed in the future.

The meeting was concluded around 1:20pm and it was noted the next Committee meeting would be December 14th at 9:00am EST.