
COLORADO DEPARTMENT OF



HIGHER EDUCATION

ACCESS TO HIGH-QUALITY, AFFORDABLE EDUCATION FOR ALL COLORADANS

CCHE 2010 WORKPLAN

FINAL REPORT SUMMARY

Review of Performance Contracts 2005-2010

Prepared for CCHE Meeting, February 4, 2011

Introduction

Context and Environment Leading Up to Performance Contracts

A key historical benchmark pertinent to this review is the passage in 1992 of a constitutional amendment known as the Colorado Taxpayer's Bill of Rights, or TABOR. TABOR was designed to restrain growth in government by restricting the amount of revenue the state can collect and spend without voter approval. A provision of TABOR, known as the "ratchet effect," causes the state's base budget to be adjusted downward when revenues declined but prevents the base from readjusting back up with increased revenues. This provision has made it impossible for institutions of higher education to ever return to a prior year level of funding.

An equally compelling situation in Colorado known as the "Colorado Paradox" also necessitated state leadership. Colorado is known for its highly educated population and is among the top states in the nation in terms of the number of citizens with a bachelor's degree. Concomitantly, Colorado has done a relatively poor job of educating its own students from P-12 and on to postsecondary education. The state has relied on its ability to attract and import necessary talent from other states and nations to meet its workforce needs. There has been growing concern that Colorado must increase participation and success rates in postsecondary education, particularly with traditionally underrepresented populations.

These dual pressures pushed Colorado policy makers to seek structural and other changes in higher education funding to ensure the state's ability to meet 21st century economic and workforce demands. There was also growing support to lessen some state regulatory requirements (e.g., procurement, personnel, purchase of land) within the higher education community that would give the institutions more operational flexibility.

In 2003, a bill was introduced in the state legislature to allow enterprise status for higher education institutions and remove the higher education budget from the state's general fund. Ultimately the bill failed as some believed there was not enough accountability required of the higher education system. In 2004, a similar effort was successful when the Colorado state legislature passed SB04-189, which modified the manner in which the state finances its higher education system.

The new funding method involved the creation of the Colorado Opportunity Fund (COF), which funds stipends for students. The COF stipends were designed to follow a student to the institution s/he enrolled. These funds were exempt from the restrictions of TABOR because technically, the state was no longer providing these funds to the institutions but rather to the (undergraduate) student as a stipend.

The same bill also included a provision for Fee-for-Service contracts, which were intended to fund specific state needs (e.g., graduate level education) and a new accountability mechanism called a “Performance Contract,” to be negotiated between each institution or governing board and the Colorado Commission on Higher Education (CCHE or the Commission).

What is a Performance Contract?

The Performance Contract (PC) was designed to create a new accountability system which could replace the existing Quality Improvement System (QIS). Institutions had an option to keep the QIS and not enter into a PC, but all institutions, including private, non-profits that received COF stipends, signed a PC. Each institution’s unique mission and role was to be honored and each was expected to meet certain identified needs of the state. The five broad state goals included: 1) Access and Success, 2) Quality in Undergraduate Education, 3) Efficiency of Operations, and Other State Needs as identified to include 4) Teacher Education and 5) Workforce and Economic Development. Data reporting requirements and measures were established for each institution and the individually negotiated contracts established quantitative benchmarks to address the identified state goals.

Process for Establishing Performance Contracts

Negotiations between the CCHE and the institutions began in the latter part of 2004 and the contracts were signed early to mid-2005 by each institution’s President and Governing Board Chair and the Executive Director of the Department of Higher Education and the Chair of the CCHE. The intent, goals, and areas of the PC that were identified in SB04-189 and codified in Colorado Revised Statutes 23-5-129 “Governing boards – performance contract – authorization – operations” served as the foundation for each contract. Though negotiated individually, there were common elements in each contract that addressed the broad goals of “improving Colorado residents’ access to higher education; improving quality and success in higher education; improving the efficiency of operations; and addressing the needs of the state.” The contracts were written to cover the time period of 2005 to June 30, 2009 with the first data reporting requirements to start in 2006.

In the spring of 2009, as the CCHE and Department of Higher Education (DHE or the Department) began a required strategic planning process, the Department and the institutions agreed to extend the existing PCs to allow time for potential changes recommended through the strategic planning process. Each PC was extended until June 30, 2011, retaining the originally negotiated terms of 2005.

As the final year of the contracts approached, CCHE has directed the staff to conduct a review of the contracts, the process followed in implementing the PCs, and to make recommendations that might be useful in for a future accountability system. The review was also to serve as an important educational function to the strategic planning process.

Review of the Performance Contracts

Purpose of the Review

As with any learning system, a chance to pause and reflect on its processes, both intended and unintended, is critical. The pending contract expiration and the strategic planning process provided a perfect opportunity for such a review. The review was intended to determine whether the PCs had served as an effective accountability tool both for the institutions and for CCHE.

Methodology for the Review

An evaluation or review typically involves the analysis and comparison of actual progress versus prior plans and expectations with an orientation toward improving operations or future implementation of the same or another process. There are several different types of program evaluation and reviews including outcome evaluation, impact evaluation, process or implementation evaluation, and cost-benefit and cost-effectiveness analyses. This review addressed all four types of evaluation and relied on open dialogues and conversations among and between the Commission, DHE staff, and institutional leaders to address the qualitative question on whether or not the PC was a useful accountability tool.

On March 5, 2010, the CCHE adopted a Commission Work Plan entitled: “Overview of Performance Contracts” that indicated some of the following *types* of questions to be utilized by DHE staff as they analyzed the contracts and facilitated the review process:

1. Were the mechanisms created for reporting in the Performance Contracts effective; did the Contracts achieve what they were intended to achieve?
2. How was each goal/section of the Performance Contract carried out?
3. Were the goals/benchmarks established at your institution achieved?
4. If you achieved your institutional goals, please describe how you achieved them.
5. If you did not achieve your institutional goals, please describe why.
6. How did your institution choose the goals listed in your Performance Contract?
7. Was there collective institutional consensus and agreement around your chosen goals?
8. Did your institution comply with the reporting requirements of your Performance Contract?

While the focus of this review was driven by the need to determine if PCs were a useful tool, it is impossible to talk about performance contracts without examining actual performance. What we learned about institutional progress on the key indicators defined as state goals was an important aspect to review, though the substantive intent in examining such progress was to learn how the data and trends were or were not useful to the institutions or the Department. How the data were utilized by either the institution or the DHE was helpful in determining if the performance contract was a useful tool.

Time Frame for the Review

CCHE determined the following schedule:

Month/Commission Meeting

April	Adams State College; Fort Lewis College
May	Mesa State College; Western State College
June	Metropolitan State College of Denver; University of Northern Colorado
July	Colorado Community College System
August	Colorado State University System
September	University of Colorado System
October	Colorado School of Mines

Since many aspects of the PC are in writing, including legislation and reports from the institutions, it was logical to start the review with a comprehensive examination of all relevant documents. Also, Department staff were sensitive to limiting any additional burden on the institutions or preparation required of them to conduct this review. Dialogues at the CCHE meetings provided the opportunity for institutional input thus limited preparation from the institutions was required for this review.

This final report of the Performance Contract review process needed to wait until the conclusion of the Higher Education Strategic Planning (HESP) process because new goals and new strategic directions were going to be established through the HESP process. These new goals and directions would inform the potential recommendations for the next phase of a statewide accountability system.

Documentation Review

DHE staff reviewed the following documents in conducting this review:

- SB04-189
- Colorado Revised Statute 23-5-129
- DHE Performance Contract Reporting Guidelines, August 2005
- Each institutional Performance Contract, signed 2005
- Annual PC reports provided by each institution, 2005-2009
- SURDS data provided by each institution, 2005-2009
- IPEDS data, 2005-2009
- Budget Data Book reports provided by each institution, 2005-2009
- Communication about the Performance Contracts provided by institutions, 2005-2009

- Documents from each institution relating to the reauthorization of their teacher education program, 2005-2010

Also, to better understand the steps taken by DHE to prepare for the new accountability requirements under the PCs, staff contacted several former DHE staff. DHE is grateful to these previous staff members for the time they gave to help understand why and how the PC process was set up. These interviews were helpful in identifying documents and guidelines as well as ideas that informed the history and process of conducting this review.

Institutional Performance Contract Goals

The PCs had some common aspects that were to be measurable and tailored to the role and mission of each institution. The general indicators addressed in the PC included the following:

Goal 1: Access and Success

1. Retention Rates
 - a. Fall-to-fall retention rate for First Time, Full Time (FTFT) Freshman
2. Graduation Rates
 - a. Six-year graduation rate for FTFT
3. Underserved Students
 - a. Increase overall resident undergraduate enrollment
 - b. Increase retention and graduation rates with various programs

Goal 2: Quality in Undergraduate Education

1. General Education Requirements
 - a. Adopt fully transferable, foundational general education core curriculum/
gtPathways
 - b. Clearly designate lower division courses eligible/not eligible for transfer
2. Grade Distribution
3. Faculty
 - a. Core faculty same quality as non-core (majors) courses
 - b. Compensation policies of faculty
4. Evaluation and Assessment of Student Learning
 - a. Outcomes on licensure, professional, graduate school admission, and other exams
 - b. Develop method to assess students' knowledge and improve delivery of courses

Goal 3: Efficiency of Operations

1. Costs
 - a. Provide information for Budget Data Book on mandatory cost increase/decreases
 - b. Tuition differentials, specialized fees, or other tuition increases to improve quality
 - c. Strive to control costs
2. Capital Assets and Maintenance – allocate a percentage of new tuition revenue for deferred maintenance
3. Facilities – continually assess operational efficiencies
4. Base Funding – acknowledgement of floor funding impacts ability to meet terms of PC

Goal 4: Other State Needs – Teacher Education

1. Teacher Education Programs
 - a. Teaching on diverse student populations
 - b. 800 hour field experience
 - c. Effective use of student assessment data
 - d. Instruction on attitudinal and behavioral differences/socialization variations
- 1.1 Content courses taught by content departments
2. Recruitment and training of qualified teacher candidates

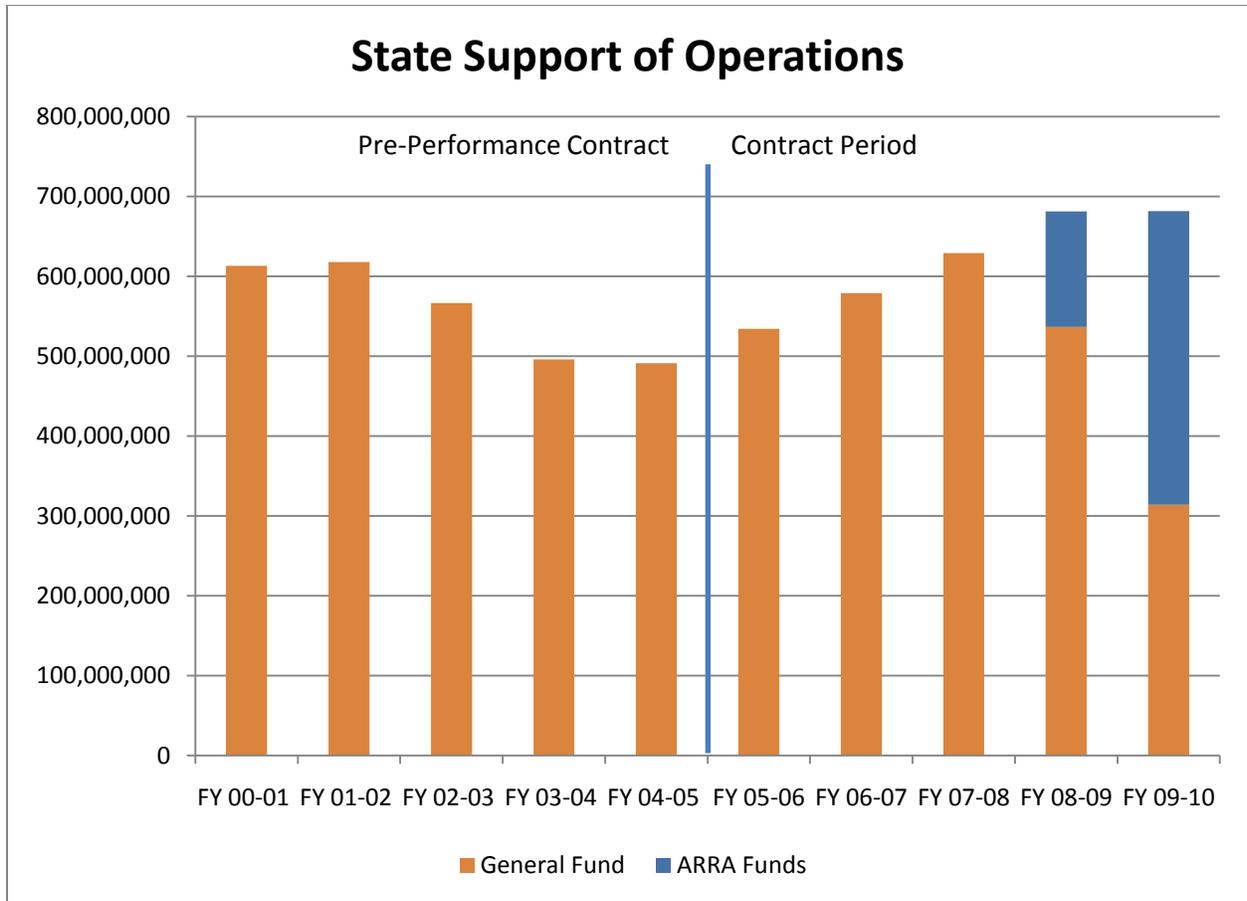
Goal 5: Other State Needs – Workforce and Economic Development

1. Increase enrollment/graduation in identified targeted programs to meet regional needs

Caution about Fulfillment of Performance Contract Goals/Performance

One important note contained in each PC stated: “The ability of the College to fulfill the terms of this Performance Contract expressly assumes funding at a level which approximates the Department funding appropriated by the General Assembly during fiscal year 2003-2004.” The CCHE and institutional leaders discussed in open dialogue how changes in the funding levels may have impacted an institution’s ability to meet the terms of the PC.

The following figure represents the funding level over a ten year period:



Results of the Performance Contract Review

DHE staff conducted each review according to the established timeline noted above. The links below access each individual report:

Adams State College:

http://highered.colorado.gov/CCHE/Meetings/2010/apr/apr10_ia_att1_asc.pdf

Fort Lewis College:

http://highered.colorado.gov/CCHE/Meetings/2010/apr/apr10_ia_att2_flc.pdf

Metropolitan State College of Denver:

http://highered.colorado.gov/CCHE/Meetings/2010/may/may10_ia_att_metro.pdf

Mesa State College:

http://highered.colorado.gov/CCHE/Meetings/2010/may/may10_ia_att_mesa.pdf

Western State College:

http://highered.colorado.gov/CCHE/Meetings/2010/jun/jun10_ia_att_wsc.pdf

University of Northern Colorado:

http://highered.colorado.gov/CCHE/Meetings/2010/jun/jun10_ia_att_unc.pdf

Colorado Community College System:

http://highered.colorado.gov/CCHE/Meetings/2010/jul/jul10_ia.pdf

Colorado State University System:

http://highered.colorado.gov/CCHE/Meetings/2010/aug/aug10_ia.pdf

University of Colorado System:

http://highered.colorado.gov/CCHE/Meetings/2010/sep/sep10_iva_att.pdf

Colorado School of Mines:

http://highered.colorado.gov/CCHE/Meetings/2010/oct/oct10_ia_CSM.pdf

Lessons Learned

Beginning in April 2010 through October 2010 each monthly CCHE meeting included presentation and discussion of one or more reports. Institutional leaders made opening comments and then Commissioners and institutional leaders had the opportunity to discuss the accomplishments and any areas for improvement. Commissioners asked direct questions to determine if the PC was helpful to the institutions, and questions about what kind of accountability system was needed or desired.

The following key findings should be interpreted as “lessons learned” that might be helpful for future considerations once a new accountability system has been established. Findings are grouped according to three broad themes: pre-performance contract phase, during performance contract phase, and observations for future accountability systems.

Pre-Performance Contract Phase:

• **Contracts lacked a collaborative negotiation process**

Many institutional leaders expressed the concern that from the very beginning of the performance contract process there was no collaborative spirit in negotiating the contracts. Several institutional representatives described a process where they received a list of targets and had little opportunity to discuss or deliberate on expectations. Some also indicated that there was never a conversation about how the goals contained in the contract may or may not relate to the institution’s strategic plan or institutional mission.

During the Performance Contract Period:

• **Goals were achieved**

In most cases, staff concluded that institutions worked diligently to respond to contractually agreed upon indicators and goals. Metrics were set and achievements were made. The CCHE noted upward trends and positive movement across the state with few exceptions.

- **Duplicative data reporting**

Multiple reporting and duplicative reporting occurred regularly as noted in the review reports for each system/institution. Specifically, as seen in Figures 1, 2, 3, and 4 where institutions/systems were required to provide data on annual retention and graduation rates under the annual data reporting required in the PC. Institutions also provided regular SURDS and IPEDS data on retention and graduation at different intervals. Not only were the data reporting requirements duplicative, the data often did not match. The difference may be due to different entities within the institutions providing the information or different definitions being used; nonetheless, multiple data requirements for similar metrics increased the chances of reporting errors and led to needless additional work by institutional staff.

- **Overlap with other accountability activities**

Institutional leaders regularly noted that the reporting requirements overlapped and sometimes duplicated similar accountability measures they are required to provide to other agencies such as accrediting agencies. Several institutional leaders requested that CCHE consider ways to collapse accountability data reporting when it is identical to data provided to accrediting agencies assuming it is defined in the same way, measured in the identical manner, reported in the same format, and reporting timeframes are identical.

One example of these other reporting activities that Presidents noted was the Voluntary System of Accountability (VSA), though staff note only eight institutions in Colorado participate with reporting data to the VSA. Of those eight, only one institution specifically mentioned the inclusion of the pertinent data in their annual performance reporting requirements. Other examples of accountability activities should be explored to determine if they could be utilized, thereby ensuring that already existing external data reporting from institutions is streamlined for purposes of reporting in future performance contracts (e.g., National Survey of Student Engagement and the Community College Survey of Student Engagement). CCHE expressed interest in reviewing a reporting inventory from institutions before any negotiations on future metrics happens.

- **Uncertainty with what “activity” or effort influenced results**

In some cases, institutions provided little to no difference from year to year on the qualitative responses about their efforts to increase retention and graduation rates. Institutions often listed dozens of efforts with no meaningful way to evaluate which had any impact. While clearly something was working and helping to improve retention or graduation rates, but there was no way to know which effort or which combination of efforts made the difference(s).

- **Lack of consequences**

When institutions failed to provide data or responses, nothing happened. It was awkward for staff to conclude in the review reports that a goal was not met or that there was a negative trend, when no attention was brought to an issue on an annual or incremental basis.

Institutions did provide reports to the Department over the years. However, from what staff can tell today, nothing was done with those reports other than staff providing an annual report to the legislature that institutions had provided the required data and reports. The Department did not provide any evaluative information to CCHE or to the institutions about the status of goals accomplished, metrics achieved, or any progress that was or was not made on the state goals. Several institutional leaders noted that they were never contacted about the merits of their reports or whether there were deficiencies. Some went on to note it was as though the reports did not matter and that all they needed to do was provide something that pertained to the general state goals.

A frequent question that CCHE and institutional representatives asked was: where is the accountability? What happens if an institution or system does not meet its goals? If there are no consequences for not meeting goals, is this really an accountability system? Some institutional leaders suggested that making the data on performance publicly available would have implications for institutions where performance failures are noted.

Observations for Next Accountability System:

- **Verifiable, consistent data**

Any accountability system must utilize SURDS as the common – and only – statewide data reporting mechanism to avoid inconsistent data definitions, format, and/or interpretation of PC data reporting. Additional data could be added for PC reporting purposes but not in place of SURDS.

- **Utilize peer comparisons**

Peer comparisons should be explored, where appropriate, to meaningfully and contextually understand metrics and performance of our institutions. Clearly progress on goals was achieved, but was it enough, in the right direction, at the right pace? Peer data would help answer such questions.

- **Right metrics?**

Identifying the right metrics is important. Commissioners regularly asked institutional leaders whether the right number of metrics had been used. Most Presidents said it was better to have fewer rather than more metrics. More importantly, many said that regardless of the number of metrics, it is more important to ensure that the metrics are relevant and meaningful to institutions

and the state. Commissioners suggested that a common set of broad-based performance metrics, derived from data submitted through SURDS (e.g., grad rates, retention rates, underserved student success) is preferable to institution-specific indicators that cannot be validated or compared across institutions. At the statewide level, simplicity in metrics can lead to more complex conversations upon metric publication and review.

Further, institutional leaders suggested that more discussions on institutional differences for the metrics are needed. For example, the community colleges have additional responsibilities for the transfer function and the current PC metrics and data reporting do not reflect a “success” factors or “momentum points” for the number of students who transfer on to the four year campuses. All agree that more work needs to be done to determine the right metrics that reflect transfer contributions rather than reflecting potential reductions in graduation and/or retention rates.

- **Which goals?**

Commissioners and institutional representatives frequently discussed how to establish goals that are relevant to the state and to the institutions. State priorities established through the strategic planning or master planning process should be used as a starting point. From those established goals, all SURDS-related data already provided by institutions should be used. Further, an inventory of the common data elements required for other accountability systems could be completed. No new metrics should be created unless absolutely necessary.

- **Referring to and utilizing outcomes could lead to performance funding**

Clearly the CCHE should discuss progress or lack of progress with institutions and governing boards on an annual basis. Regular meetings with CCHE and governing boards might enhance the importance of performance agreements and go a long way to build common understandings of goals, outcomes, and performance. As the state’s economic conditions improve performance funding could also be explored. Unlike the past five years, when institutions make good progress, they should receive some reward to make the accomplishments noteworthy.

- **Performance contract as a useful accountability tool**

Commissioners asked institutional leaders about the usefulness of the PC as an accountability tool. The general consensus was positive. Frequently institutional leaders juxtaposed the performance contracts with the former Quality Improvement System (QIS) and had much stronger positive affirmation for the performance contracts. Moreover, institutional leaders indicated if the performance contract goals could be connected to institution/system goals and their strategic plans, it would enhance the utility of the PC. In addition, all institutional leaders stressed the importance of regular, annual conversations about their performance and their goals. Reporting data for the sake of reporting data was not helpful and eventually it could make the accountability system irrelevant. Also, some institutional leaders noted there were times when changes in institutional environments could have led to changes in goals but there was no mechanism in place for such conversations or changes. Finally, since performance was not tied

to funding, there were never opportunities to reward institutions for exceeding their goals nor were there penalties when institutions did not meet their goals.

What's Next?

This summary report was initially intended to identify steps for the next accountability system. The expectation was that when the 2010 strategic planning process concluded, the goals that were part of that plan would serve as the basis for the goals for the PC. Since no statewide goals were included in the Higher Education Strategic Plan (HESP), the Commission determined that the statewide master planning process would need to be expanded to allow for the setting of statewide goals. Thus, the next phase of the accountability system will flow from the new master planning process that the CCHE adopted on December 2, 2010. That master planning process included three critical components: 1) a comprehensive strategic plan, the *Degree Dividend*; 2) narrowing strategies to develop specific institutional level plans to be completed by no later than December 31, 2011; and 3) ongoing evaluation to maintain accountability and to address changing conditions.

Once the new statewide goals are set, the metrics for measuring those goals can be identified, and subsequently the next accountability system can be established and agreements reached/contracts negotiated. From this new direction, the possibility of performance funding through the existing fee for performance component of the SB04-189 legislation could be utilized. Further, it is important that CCHE capitalize on this opportunity to integrate existing long-term SURDS data reporting requirements with the relatively new reporting requirements (e.g., SB10-3). This integration could create a streamlined accountability system that serves the state of Colorado while also building on the work of the institutions.