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COLORADO DEPARTMENT OF



# HIGHER EDUCATION

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ACCESS TO HIGH-QUALITY, AFFORDABLE EDUCATION FOR ALL COLORADANS

Review of Performance Contracts 2005-2010  
Overview, Purpose of Review, and Methodology

Prepared for CCHE Meeting, April 9, 2010

## **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 21<sup>st</sup> 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 it finances its higher education system.

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

The same bill that created the stipends included a provision for Fee-for-Service contracts, which are 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).

#### 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 Performance Contract, 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: Access and Success, Quality in Undergraduate Education, Efficiency of Operations, and Other State Needs as identified to include Teacher Education and 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.

#### What was the Process of 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 outlined again 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) began a required Strategic Planning process, the Department and the institutions agreed to extend the existing PCs. This extension was to allow time for potential changes recommended through the Strategic Planning process. Each Performance Contract was extended until June 30, 2011, retaining the originally negotiated terms of 2005.

As the final year of the contracts approaches, CCHE has directed the staff of the DHE to conduct a review of the contracts, the process followed in implementing the PCs, and to make recommendations that might be useful in writing new contracts. The review would also serve as an important educational function to the strategic planning process that is currently underway.

## **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. Any good continuous improvement environment requires that a comprehensive review take place periodically. The pending contract expiration and the current strategic planning process provide a perfect opportunity for such a review. The questions asked under the review include: what process was followed to establish the performance contracts?; what did the institution provide as evidence that it was meeting the expectations of the contracts?; what worked well with the current contracts?; what needs improvement?; and, ultimately, was the performance contract a useful tool to ensure accountability?

### 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 attempted to address the first three types of evaluation, with the fourth to be addressed during the next six months with open dialogues and conversations among and between the Commission, DHE staff, and institutional leaders. The question of whether the performance contract is a useful tool will be addressed during these open dialogues and the questions about cost-benefits and cost-effectiveness will be determined by the outcome of those dialogues.

On March 5, 2010, 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?

It is important to note that while the focus of this review is driven by the need to determine if performance contracts 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 is an important aspect to review, though the substantive intent in examining such progress is 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 will be helpful in determining if the performance contract was a useful tool.

### Time Frame for the Review

The CCHE determined to conduct the reviews according to 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. The dialogues at the CCHE meetings will provide the opportunity for institutional input.

### Documentation Review

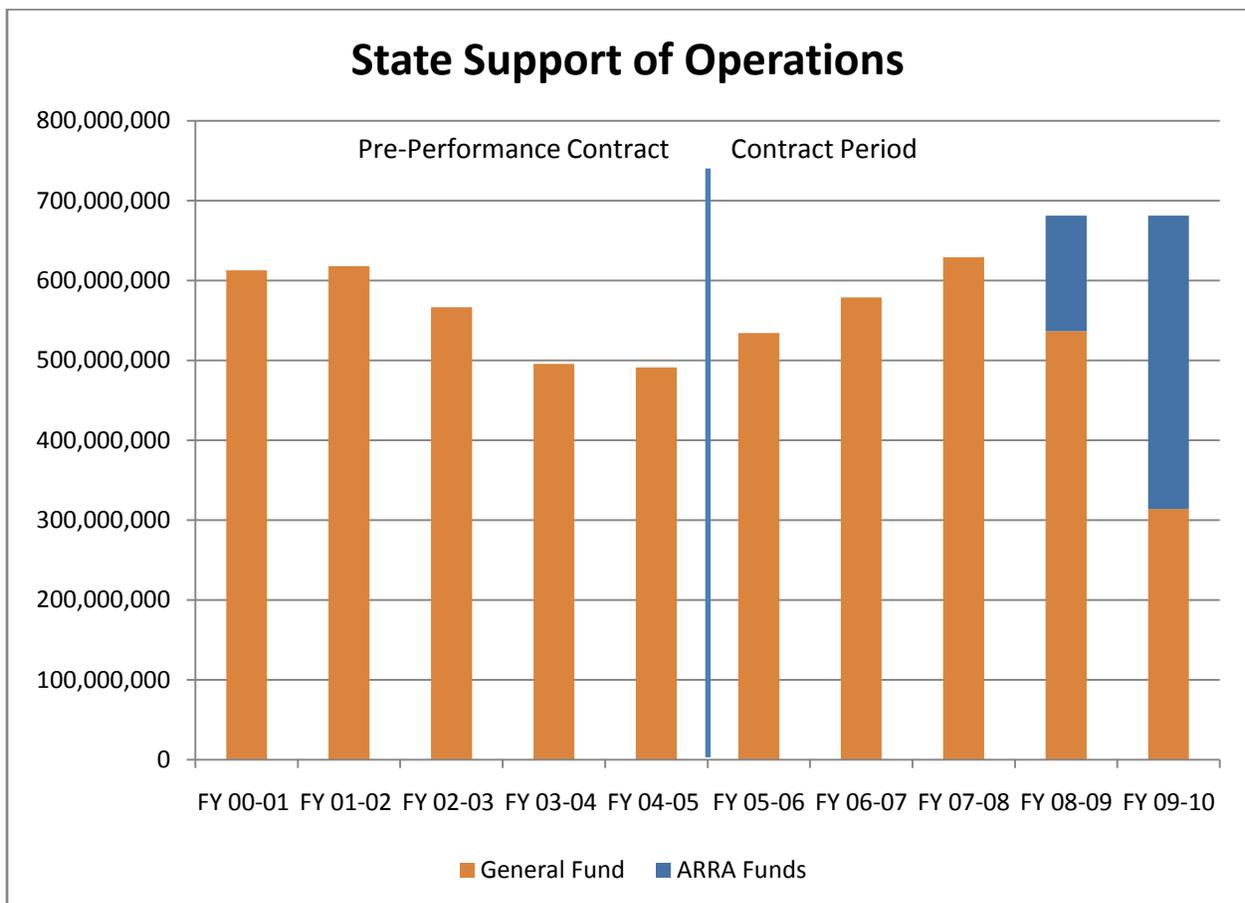
The following documents were reviewed by DHE staff in conducting this review:

- SB04-189
- Colorado Revised Statue 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 Performance Contracts, staff contacted several former DHE staff for input on direction and understanding that they brought to the process in place today. The DHE is grateful to these previous staff members for the time they gave to help understand why and how the Performance Contract process was set up. These interviews were helpful in identifying documents and guidelines and some of that input will be highlighted in the “potential recommendations” section that will be reported at the end of the review process.

One important note contained in each PC states: “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. How changes in the funding levels may have impacted an institution’s ability to meet the terms of the PC have not yet been determined and will be discussed in the open dialogues with CCHE, institutional leaders, and the DHE.

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



## Institutional Performance Contract Review Goals

There are common aspects to the PC that are to be measurable and tailored to the role/mission of each institution. The general indicators addressed in the PC include 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/GT Pathways
  - 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

Each institution and/or governing board has a separate report representing institutional progress on these goals. A final report will be provided, after each institution/system has been reviewed, that contains “lessons learned” and recommendations regarding the use of the PC as a tool for accountability purposes.