

# **Comprehensive Work Plan**

Study on Higher Education Performance Funding and  
Efficiency/Reform (RFPS30034902300023)

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Prepared for the Missouri Department of Higher Education and Workforce Development  
October 4, 2022 (revised October 12, 2022)

As required by the Request for Proposals and proposed in NCHEMS' response to the RFP, MDHEWD and NCHEMS held an initial planning meeting on September 21, 2022 in Jefferson City Missouri. Attending were Dennis Jones, Brian Prescott, and Sarah Torres Lugo of NCHEMS and Leroy Wade, Jeremy Kintzel, and Gerren McHam of MDHEWD. Representative John Black also met with the project team to hear an overview of the project and to address questions about the nature and timing of the final products. This work plan incorporates the feedback provided during this planning meeting and reflects NCHEMS' understanding of the agreed-upon approach to the project. The accompanying timeline indicates the proposed schedule for major milestones of the project.

The project will yield deliverables in two primary areas: (1) recommendations for a new funding model, including elements that link funding to institutional performance, and (2) a set of recommendations that seek to stimulate improved efficiency and effectiveness in the delivery of public higher education services to Missouri. Work on these two areas will partially overlap, with a heavy initial focus on addressing the funding model.

One important takeaway from our conversations to date was that Missouri is seeking recommendations for a comprehensive funding model, one that better rationalizes the allocation of state taxpayer dollars to institutions, including through performance elements that incentivize institutions to improve their effectiveness, efficiency, and affordability. Such a model should also be linked to the state's strategic goals. This more comprehensive approach stands in contrast to the creation of a performance-based funding policy that simply supplements historic funding levels to institutions (which is how NCHEMS interpreted the RFP and the assignment initially). That is, Missouri is interested in a funding approach that strategically distributes the full state appropriation to its public institutions, rather than recommendations for a narrower performance-based policy that may only determine the allocation of a small percentage of state funding. This difference has important implications for how NCHEMS and MDHEWD carry out the project, especially in terms of the timing of the work. Although NCHEMS will ultimately generate a report to MDHEWD that contains recommendations drawn from its wide expertise and deep analysis, it is not expected that these recommendations will have achieved general acceptance from the institutions that will be subject to any new funding approach by the mid-November deadline established in the RFP. The report and the recommendations will be much likelier to fit the context in, and the needs of, Missouri if there is an opportunity to meaningfully engage the institutions and key stakeholders in the period after this deadline. Thus, NCHEMS anticipates delivering a conceptual framework for a new funding model consistent with the expectations discussed during the initial planning meeting by the RFP's required deadline of mid-November, but NCHEMS and MDHEWD expect to continue to work on refining the funding model's design—especially the parameters to be used in implementation—in the months that follow, provided that key legislators do not express reservations before October 26, 2022. Ultimately, NCHEMS will provide a report to MDHEWD that includes recommendations for design features for a new funding model and for implementation; these will be informed by dialogue with stakeholders over the months to come.

**1. Development of recommendations for a new funding model for Missouri's public institutions.**

- a. Submit a comprehensive workplan no later than 14 days following the planning meeting.
- b. Submit a revised comprehensive work plan no later than 7 days following receipt of the state agency's changes.
- c. NCHEMS will identify states that are using approaches for funding public higher education institutions that have design elements appropriate for consideration in adapting to Missouri's context. Where appropriate, these states should be similar to Missouri in key respects related to funding levels, governance and structures, and population characteristics, recognizing that no states will make a perfect match. The emphasis will be on relevance of design elements rather than similarity of states to Missouri.
- d. Collect Missouri documents and data specific to Missouri and its financing history, including relevant statutes and legislation, task force reports, institutional submittals, and spreadsheets used to generate recommendations for total funding and the performance funding component (even when it has not been funded).
- e. NCHEMS will analyze and summarize reports on funding models and compare to Missouri state goals, including Research and policy reports addressing peer states' performance funding models, where we will look for evidence of success and factors that contributed to that success, as well as design and implementation features that proved to be problematic.
- f. Present conceptual framework of a comprehensive funding model with a performance component during a virtual kick off meeting (tentatively to be held the third week of October). Invitees to this meeting will include an array of stakeholders including policymakers and their staffs, institutional leaders, and association leaders (COPHE and MCCA).
- g. Conduct interviews with finance officers in selected other states to learn about potential differences between explicit directives/guidance for making funding decisions and how funding decisions are actually made, as well as the pros and cons to approaches used in select states.
- h. Gather and analyze data on outcomes produced in states with several years of experience utilizing performance-based funding.
- i. Develop a heuristic model for the design of a funding model in Missouri.
- j. Develop a report that specifies the conceptual framework for designing a comprehensive funding model with a performance component that would best suit the needs of Missouri. This report will also articulate the steps to be taken to refine the design and develop an implementation strategy, including recommendations to the legislature for sequencing legislation to ensure the process moves forward fairly and expeditiously.
  - i. By November 4, electronically deliver a draft report to MDHEWD for review by November 9.
  - ii. Revise draft report incorporating MDHEWD's feedback.

- iii. By November 14, electronically deliver revised report to MDHEWD for circulation, with feedback due November 18 from institutional, legislative, and gubernatorial representatives.
- iv. The week of November 21, virtually meet with MDHEWD to discuss feedback received.
  - v. By November 23, submit a revised report incorporating feedback.
  - vi. NCHEMS will present the report to the Coordinating Board for Higher Education at a public meeting (expected to be at the Dec. 6-7 meeting).
  - vii. By December 15, electronically deliver the completed initial report to the Governor and General Assembly.
- k. Subsequent to the delivery of the initial report, NCHEMS will further develop the funding model in accordance with the conceptual design. This will involve:
  - i. Developing an interactive model that will allow investigating the consequences of assigning different values to the key parameters in the model.
  - ii. Developing the performance portion of the model in a way designed to promote achievement of key priorities as established in the Department's strategic plan as well as other priorities such as:
    - 1. Efficiency in delivery of services.
    - 2. Collaboration among institutions.
  - iii. Compile the data needed to populate the model. Per agreement with MDHEWD, every effort will be made to use data readily available from either IPEDS or MDHEWD. This limitation may require making estimates of certain variables.
  - iv. Prepare a set of recommendations regarding the values for variables in the model based on use of the model to investigate the consequences of assigning different weights.
- l. Undertake stakeholder engagement activities to gather feedback on the design and improve the model. These activities will include:
  - i. Engaging first with staff of MDHEWD and with key legislators (or their staffs) and representatives of the Governor's Office.
  - ii. Then engaging with representatives of the institutions and their associations.

It is anticipated that two rounds of such engagement will be required, with NCHEMS making adjustments to the model (or recommended values for parameters) between these two rounds of meetings.

- m. Develop a set of recommendations regarding implementation of the model, including timing and the use of stop-loss and stop-gain provisions in transitioning to the model.
- n. Prepare a draft final report on the funding model for review by MDHEWD staff and others of their choosing. (This report will likely include the results from the efficiency review activities described below, such that this final report addresses both major thematic topics of the overall project.)
- o. Prepare a final report that incorporates changes suggested in the review process.

- p. Present the report to the Coordinating Commission for Higher Education and legislative committees.

**2. Assess efficiency and effectiveness at Missouri's public institutions.**

- a. Survey SHEEO agencies regarding efficiency initiatives in collaboration with MDHEWD's Office of Postsecondary Policy.
  - i. NCHEMS will work with SHEEO staff to develop a survey of its members with key content areas being:
    - 1. Source/champion(s) of efficiency initiatives—were they mandated by the legislature or governor, system office or coordinating board?
    - 2. Goals for efficiency initiatives. Are goals related to:
      - a. Cost savings?
      - b. Student outcomes?
      - c. Others?
    - 3. Areas of focus of efficiency initiatives
      - a. Administrative services?
      - b. Academic delivery?
      - c. Other areas?
    - 4. Collaborative initiatives, i.e., statewide initiatives or bilateral or multilateral initiatives (including partnerships with non-higher education entities)
      - a. How were they organized?
      - b. How were they funded?
      - c. What have been the results?
    - 5. Funding supports.
    - 6. Measures – both those defined for consistency across institutions, and any others.
    - 7. Targets for improved performance or cost savings.
- b. Conduct a survey of Missouri institutions to acquire information about current effectiveness and efficiency initiatives. This survey will be an adaptation of one NCHEMS fielded in Virginia. NCHEMS, with the advice and counsel of SCHEV (Virginia's counterpart to MDHEWD) staff and institutional finance officers, conducted a survey of Virginia institutions seeking information about their practices aimed at producing more efficient operations and generating savings that could be reallocated to high priority purposes.
- c. Review institutional missions, enrollments, and programs for a more macro look at possible areas for increasing efficiency. As noted in the Request for Proposals, Section 173.020, RSMo, gives the CBHE authority to develop "arrangements for more effective and economical specialization among institutions in types of education programs offered and students served, and for more effective coordination and mutual support among institutions in the utilization of facilities, faculty and other resources." To identify possible areas for increasing efficiency, NCHEMS will build on the report developed by the Missouri Higher Education System Review Task Force in 2016 and will review

- institutions' mission statements and "operational missions", clear expressions of roles based on the institutions' array of programs, audiences served, and other special features such as status as a land-grant institution or HBCU.
- d. Complete data gathering and analysis on efficiency to identify areas having greatest potential for efficiency enhancements. Areas to be covered by these analyses include:
    - i. County of origin for incoming students, both recent high school graduates and adults
    - ii. Transfer patterns
    - iii. Programs offered
    - iv. Research volume, preferably by discipline
    - v. Expenditures by function
  - e. Consider opportunities for shared administrative services.
    - i. Based on NCHEMS conceptual work in categorizing functions that are candidates for collaboration, identify administrative services that could be shared to reduce costs.
    - ii. Estimate costs associated with putting in place the necessary infrastructure, including managing the collaboration. An incentive fund may be necessary to get collaborations started.
    - iii. Compile resources for contracting matters, such as examples of contracts from other states with a similar governance model.
  - f. Consider opportunities for shared services in delivery of academic programs and provide resources for supporting such shared services.
    - i. Using IPEDS enrollment data and documentation of DHEWD's program review process, identify programs with few graduates that suggest opportunities for shared services in delivery of academic programs.
    - ii. Estimate costs associated with putting in place the necessary infrastructure, including managing the collaboration. There may need to be incentive fund to get collaborations started (potentially including collaborative delivery of academic programs as an outcome to be rewarded in the performance funding model).
    - iii. Compile resources to assist with revenue sharing.
    - iv. Compile resources for contracting matters, such as examples of contracts from other states with a similar governance model.
  - g. Visit selected campuses for stakeholder engagement to test ideas for Missouri-specific efficiency measures. Particular targets for stakeholder outreach will include presidents, provosts, and chief financial officers.
  - h. Complete draft report on efficiency and effectiveness activities that could increase the efficiency with which postsecondary education is provided in Missouri and how to evaluate long-term effectiveness.
    - i. By May 11, 2023, electronically deliver draft report to MDHEWD.

- ii. Receive feedback on draft report from MDHEWD and other stakeholders by May 25, 2023.
  - iii. No later than June 1, 2023, complete final report on recommendations to the Governor and General Assembly.
  - iv. Travel to Missouri to present report on postsecondary education efficiency.
3. **Plan for stakeholder engagement.** NCHEMS and MDHEWD will ensure that the project incorporates multiple touchpoints and opportunities for stakeholders to engage throughout the project. Planned activities include:
- a. Kick off meeting with stakeholders in mid- to late-October, with invitations extended to legislative and gubernatorial staff, institutional representatives, and key board members.
  - b. Regular meetings with MDHEWD staff throughout the project. In addition, MDHEWD may name an advisory group consisting of representatives of selected institutions and both institutional associations (COPHE and MCCA) and work with NCHEMS to make sure members are kept informed and consulted.
  - c. NCHEMS will gather feedback on funding model design parameters from institutions, likely on two separate occasions, during the spring semester, prior to making final recommendations to MDHEWD.
  - d. NCHEMS will conduct a survey of Missouri institutions to acquire information about current efficiency initiatives.
  - e. NCHEMS expects to visit selected Missouri campuses for stakeholder engagement concerning efficiency-related activities. These visits will most likely occur in April 2023.
  - f. Opportunities for feedback from MDHEWD and institutional, legislative, and gubernatorial representatives on draft reports before they are finalized.

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**Project timeline.** In the figure below, green bars indicate periods during which NCHEMS will be working on a task. Darker green bars are for each of the two major topical areas that are part of the project. Yellow bars indicate areas in which stakeholders will have an opportunity to provide input or feedback to the effort. Orange, italicized text represents additions to the original plan as described in the proposal; these are added to better meet Missouri’s needs and goals for this project.

	Sep		Oct		Nov		Dec		Jan		Feb		Mar		Apr		May		Jun	
	1-15	16-30	1-15	16-31	1-15	16-30	1-15	16-31	1-15	16-31	1-15	16-28	1-15	16-31	1-15	16-30	1-15	16-31	1-15	16-30
Draft and submit comprehensive work plan	Green	Green																		
Performance funding model review	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green
Identify states similar to Missouri	Green	Green																		
Collect Missouri documents and data, <i>populate Virginia model for base funding</i>		Green	Green	Green																
<i>Presentation to stakeholders of a draft conceptual framework with performance component</i>				Yellow																
Analyze and summarize reports on performance funding & compare to state goals			Green	Green																
Interviews with state finance officers				Green	Green															
Gather and analyze data on outcomes produced				Green	Green															
<i>Draft report with recommendations for a conceptual framework for a new funding model</i>				Green	Green															
<i>Revisions to draft report based on feedback from MDHEWD and stakeholders</i>					Yellow	Yellow														
<i>Submit final version of initial funding report and present to Commission</i>						Green	Green													
Develop heuristic model for performance funding							Green	Green	Green	Green	Green	Green	Green	Green						
<i>Develop draft recommendations and parameters for funding model (base and performance)</i>													Green	Green						
Engage stakeholders													Yellow	Yellow	Yellow					
Prepare draft report															Green	Green	Green			
Review draft with MDHEWD																Green				
Revise and submit report																	Yellow	Yellow		
Present report to stakeholders																		Green	Green	
Efficiency and reform review							Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green
Meeting with MDHEWD							Yellow													
Review and summarize reports on efficiency initiatives							Green	Green	Green											
Survey of SHEEO agencies							Green	Green	Green	Green										
Survey of Missouri institutions									Yellow	Yellow	Yellow	Yellow	Yellow							
Review of institutional missions, enrollments, and programs											Green	Green	Green	Green						
Stakeholder engagement - visit selected campuses															Yellow					
Prepare draft report															Green	Green	Green			
Review draft with MDHEWD																Green				
Revise and submit																	Yellow	Yellow		
Present report to stakeholders																		Green	Green	
Regular check-in calls with MDHEWD		•		•		•		•		•		•		•		•		•		•