

Report on the State University System of Florida's Performance-Based Funding Model



The National Center for Higher Education Management Systems
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Executive Summary

In November 2018, the State of Florida's House of Representatives contracted with the National Center for Higher Education Management Systems (NCHEMS) to conduct a review of the performance-based funding (PBF) model in use by the State University System of Florida (SUS). NCHEMS reviewed documents and gathered data from public sources and from SUS to examine the ways in which the PBF model and each separate metric affected institutions. NCHEMS also interviewed key stakeholders about the origins and evolution of the PBF policy, as well as the opportunities and challenges that it has created for SUS institutions. Drawing on its considerable background and experience in shaping and analyzing performance-based funding policies throughout the nation, NCHEMS also compared the PBF policy and model in operation in the SUS to what are considered good practices in operation elsewhere.

In general, the findings are that the PBF model has had substantial impacts on institutional policies and practices. It has been especially effective at injecting much-needed data-informed analysis into the decisions that individual institutions make, as well as in driving changes that have put student success more squarely at the forefront of institutional culture. The results have led to rising values in the metrics that are measured.

Nevertheless, NCHEMS' analyses raise important concerns that the model's design impedes progress toward the achievement of the statewide educational attainment goal and also fails to address inequity in educational opportunity. Collectively, these issues are rooted in incentives for improvement that lack potency and in how the PBF model favors institutions that are well-resourced and serve disproportionately well-prepared students with means, relative to other institutions in the system by:

- Relying on rates rather than counts, which leads to incentives in the model that are misaligned with the state's need for more degree production, and which also require more complex metric methodologies and cohort definitions that reinforce the advantages of well-resourced institutions.
- Using a one-size-fits-all model that fails to account for key differences in institutional missions, especially those related to student populations served.
- Setting benchmarks for Improvement that are unsustainably high, and which are meaningful primarily for the institutions that serve an economically and racially diverse student body of a wide range of ages. This helps contribute to substantial volatility in the Improvement scores that effectively determine these institutions' access to PBF funds. The resulting uncertainty they experience dampens their ability and willingness to follow up on any successes with further investments.
- Allocating funding to institutions based on a methodology that favors elite institutions which encounter little difficulty in amassing Excellence points, in layering PBF funding on top of substantial funding available to a select few institutions with "Preeminent" status, and in creating unpredictability around some institutions' funding expectations.

These conclusions have led NCHEMS to offer the following recommendations:

Recommendation 1. Study the allocation of base funding to institutions, including the effect of preeminence funding, as a precursor to the adoption of a broader strategic finance policy that includes PBF.

Recommendation 2. Better align the PBF model with the state attainment goal by relying more heavily on counts rather than rates.

Recommendation 3. Create separate pools of funding for Excellence and Improvement. Institutions would only gain access to the former pool by reaching a high threshold of Excellence points across all PBF metrics, while all institutions would have access to the Improvement pool. Funds would be distributed on a pro-rata basis from each pool based on each institution's PBF scores on the corresponding scale, indexed to its share of the state's base appropriations. The bulk of the PBF money—at least 75 percent—should be invested in the Improvement pool. These changes would preserve some funding to reward Excellence while shifting the bulk of the incentives toward continuous improvement.

Recommendation 4. Better align funding to reward sustainable improvement. This would reinforce the elevation of Improvement by making additional refinements to align incentives, including by:

- A. Reducing volatility in the Improvement scores by adjusting the benchmark scales.
- B. Measuring improvement over multiple years.
- C. Imposing a penalty in the Excellence scoring in order to address some institutions' ability to maintain high levels of excellence even while seeing small declines in key metrics.
- D. Resisting the urge to routinely make changes to the metric definitions.

Recommendation 5. Combine some metrics to simplify the model and make communication easier and the incentives clearer by focusing metrics around key topic areas such as degree production/completion, student academic progress, affordability, employment outcomes, and institutional productivity/efficiency. Steps to take include:

- A. Replacing the current metric for graduation rates with counts of graduates.
- B. Utilizing a different measure of student progress, specifically the count of the number of students who cross thresholds of credit hour accumulation.
- C. Adding a metric to track institutional productivity, such as degrees per 100 full-time-equivalent enrollments.
- D. Giving institutions credit for students who transfer out and subsequently complete degrees.
- E. Reconsidering the ban on using bonuses for success in serving targeted sub-populations and in producing degrees in areas of strategic emphasis; use these bonuses as a way to replace the University Access metric with a means of incentivizing service to low-income students.
- F. Considering a different metric for affordability that better isolates the issue of costs to students.

Recommendation 6. Adopt a weighting scheme for the metrics, both across metrics and institutions, that is more sensitive to and better reflects institutional mission differentiation.

Since its adoption, Florida's PBF policy has helped elevate many of the SUS member institutions to greater prominence, as well as earning accolades for the system as a whole. However, this review has found room for improvement in the model and its metrics that will set it up for

further success in achieving the state's educational attainment goals and more comprehensively serving the postsecondary educational needs of all Floridians.

DRAFT

1. Introduction

In November 2018, the State of Florida’s House of Representatives contracted with the National Center for Higher Education Management Systems (NCHEMS) to conduct a review of the performance-based funding (PBF) model in use by the State University System of Florida (SUS). The scope of work requested by the House directed NCHEMS to “evaluate the current status of the State University System Performance-Based Funding Incentive, assess alternative practices in other states, and identify and assess alternative policies to guide future funding decisions related to outcome-based funding in the State University System of Florida.”¹

In developing this report, NCHEMS drew on its experience in researching, analyzing, and providing technical assistance to states concerning postsecondary finance policy. In particular, NCHEMS has assisted in the development and refinement of strategic finance policies and performance-funding programs in many states over its 50-year history. NCHEMS has a comprehensive perspective on performance funding policies in operation across the country, including the actual design of several models in use among states scattered across the country (e.g., Massachusetts, Colorado, Maine, and Mississippi), as well as involvement as a contributor to the design in others (e.g., Nevada, Tennessee, Illinois, and Indiana). This background and experience also includes authorship of a set of principles for design and implementation of performance funding programs. The resulting reports, *Taking Stock* (<http://www.nchems.dreamhosters.com/wp-content/uploads/2018/01/OBFTakingStock111516.pdf>) and *Outcomes-Based Funding: The Wave of Implementation* (<http://www.nchems.org/wp-content/uploads/2018/08/Outcomes-BasedFundingPaper091613.pdf>) provide a basis for evaluating Florida’s PBF model.

Florida’s PBF policy and model sits within a state context that sets a foundation for the evaluation. Florida has adopted a postsecondary education attainment goal (known as Rise to 55, adopted by the Florida Higher Education Coordinating Council), under which the SUS will carry a heavy burden for producing bachelor’s degree graduates in sufficient quantities (and quality) to meet the target of having 55 percent of state residents with a postsecondary credential.²

Additionally, the SUS has adopted a Strategic Plan that spans the 2012-2025 timeframe. The plan includes a focus on building preeminence of institutions and of academic programs, as well as goals for degree production increases overall and specifically for students from traditionally underrepresented groups and in academic fields of strategic emphasis. These latter goals are at least conceptually aligned with the statewide goal calling for increases in educational attainment. The broad SUS goals are further linked to specific metrics and

¹ Request for Proposal, RFP 2018-1, p. 2.

² According to the Florida Higher Education Coordinating Council, the state anticipates the need for 1.13 million additional credential holders by 2025 than it is on track to produce, in order to meet that goal. (See [https://www.floridacollegesystem.com/sites/www/Uploads/Educational%20Attainment%20Toolkit/Attainment%20Final%20Report%20Slides%20\(003\).pdf](https://www.floridacollegesystem.com/sites/www/Uploads/Educational%20Attainment%20Toolkit/Attainment%20Final%20Report%20Slides%20(003).pdf))

targets. The PBF policy and related model is a major initiative within the SUS that seeks to achieve these goals.

This report provides the evaluation of the SUS's PBF policy and model as required by the House RFP. It first outlines the approach NCHEMS took to prepare the report. The report then provides a more detailed discussion of the background and overall workings of the PBF model. Next, it analyzes each of the individual metrics in the model. A summary of themes drawn from interviews with key stakeholders about the features of the model—especially the challenges and opportunities it creates in leading and managing institutions—follows. Next, the PBF model and selected metrics are evaluated against good practice, as described in *Taking Stock*, and drawn from NCHEMS' experience in other states concerning strategic postsecondary education finance more broadly. Finally, the report concludes and offers recommendations for future deployment of performance funding.

2. Data and Methods

To accomplish this task, NCHEMS collected data and documents from various sources. Foremost among them is the comprehensive website describing and documenting the PBF model, historical data, and other related matters at <https://www.flbog.edu/finance/performance-based-funding/>. This website provides an overview of the PBF policy, spells out the metrics that go into the model and their benchmarks for scoring, reports the final scores earned by each institution and its resulting funding allocation, and shares details concerning the methodology used in calculating the value of each of the metrics. In addition, NCHEMS made an extensive request to the Chancellor's Office for data underlying the existing metrics, as well as for data to support the calculation of possible alternative metrics drawn from good practices in place in other states' performance-funding models. Finally, NCHEMS gathered data from publicly available sources, such as the National Center for Education Statistics and the U.S. Census Bureau.

NCHEMS used these data to analyze the PBF model and to build simulations based on different sets of metrics, differential weighting of metrics, and other treatments of institutional performance, with a focus on boosting incentives for continuous improvement and on addressing potential effects of spurious or idiosyncratic year-to-year variation in performance.

Additionally, at NCHEMS' request, staff members serving the House of Representatives and at the SUS identified key informants and stakeholders who could offer valuable perspectives on the historical evolution of the PBF model and its effectiveness, as well as describe institutional responses to the policy. NCHEMS subsequently conducted 30-45 minute individual interviews by phone with each of these people (Table 1). NCHEMS summarized and synthesized themes obtained from these interviews. In an effort to encourage candor, NCHEMS pledged not to link any quotations or comments to specific interviewees.

Table 1. List of Key Informants/Interviewees

Date	Name	Position
April 5, 2019	Marshall Criser ³	Chancellor, Florida SUS
May 6, 2019	John Kelly	President, Florida Atlantic University
June 20, 2019	Donal O'Shea	President, New College of Florida
June 21, 2019	Tom Kuntz	Member, University of Florida Board of Trustees Past Chair, Florida SUS Board of Governors
June 21, 2019	Martha Saunders	President, University of West Florida
August 21, 2019	Larry Robinson	President, Florida A&M University
August 27, 2019	Tony Lloyd	Former Budget Chief, House Higher Education Appropriations Committee
August 28, 2019	Rep. Ray Rodrigues	Member, Florida House of Representatives
September 9, 2019	Mori Hosseini	Member, University of Florida Board of Trustees Past Chair, Florida SUS Board of Governors

3. Background on the PBF model

Florida's SUS first implemented its PBF policy in time for the 2014-15 academic year, but it has roots going back to former Governor Scott's interest in providing funding to the SUS institutions for performance, especially in terms of producing the workforce needed for Florida's future. The PBF model involved a comprehensive process engaging key stakeholders in the review of more than 40 separate metrics, ultimately culminating in the approval of 10 metrics by the Board of Governors. The SUS has sought to follow four guiding principles in its design and implementation of the model:

1. Use metrics that align with SUS Strategic Plan goals.
2. Reward either Excellence or Improvement.
3. Have a few clear, simple metrics.
4. Acknowledge the unique mission of the different institutions.⁴

The PBF model is required by statute to include metrics that address performance in the following areas: "four-year graduation rates, retention rates; postgraduation education rates; degree production; affordability; postgraduation employment and salaries, including wage thresholds that reflect the added value of a baccalaureate degree; access rate, based on the percentage of undergraduate students enrolled during the fall term who received a Pell Grant during the fall term; and other metrics approved by the board..."⁵ With respect to the access rate benchmarks, the statute further states that they "must be differentiated and scored to reflect the varying access rate levels among the state universities; however,

³ Mr. Criser was joined on the phone call by Tim Jones, Florida SUS Vice Chancellor for Finance and Administration and Chief Financial Officer

⁴ Florida Board of Governors, *Performance Funding Model Overview*. Retrieved September 28, 2019 from <https://www.flbog.edu/wp-content/uploads/Performance-Based-Funding-Overview-May-2019.pdf>.

⁵ Section 1001.92, Florida Statutes

the scoring system may not include bonus points.”⁶ The statute leaves it to the Board of Governors to define the metrics and to establish scoring benchmarks.

The resulting PBF metrics currently in effect are given in Table 2. Each metric is worth up to 10 points and all are equally weighted. Each metric is determined by the highest of two scores: one for Excellence and one for Improvement. Excellence scores are determined by a set of benchmarks for performance established by the Board of Governors. Improvement scores are based on the change in the metric value over a single year.

Table 2. Current Performance-Based Funding Metrics

Metric	Description
1	Percent of Bachelor’s Graduates Employed (Earning \$25,000+) or Continuing Their Education
2	Median Wages of Bachelor’s Graduates Employed Full-Time
3	Average Cost to the Student (Net Tuition per 120 Credit Hours)
4	Four-Year Graduation Rate (Full-Time FTIC)
5	Academic Progress Rate (Second Year Retention with GPA Above 2.0)
6	Bachelor’s Degrees Awarded in Areas of Strategic Emphasis
7	University Access Rate (Percent of Undergraduates with a Pell Grant)
8a	Graduate Degrees Awarded in Areas of Strategic Emphasis
8b	Freshman in Top 10 Percent of Graduating High School Class (Applicable to NCF Only)
9	Board of Governor’s Choice – Percent of Bachelor’s Degrees without Excess Hours
10	Board of Trustees’ Choice

Several of these metrics have undergone substantial change during the PBF policy’s history, and others have had their methodology tweaked. There have also been significant changes in the scoring and in the allocation of funding connected to the model. Changes in the metrics and their benchmarks are described later, but the SUS boosted the total points available from 50 to 100 in 2016-17.

The PBF policy allocates state funding to institutions from two pools: a funding set-aside for performance (known as the State Investment) and a reallocation of base funding to each institution (known as the Institutional Investment). The institutional component is an amount equal to 25 percent of an institution’s base budget funding that is at risk if an institution’s performance does not measure up.

A recent change to the funding allocation policy approved in 2019 by the Board of Governors profoundly changed how the PBF model’s points turns into actual dollars to institutions. Prior to the change, the three institutions that obtained the lowest scores through the PBF model forfeited their eligibility for the State Investment, with that money instead being allocated to the three highest scoring institutions. This “Bottom Three” rule

⁶ *ibid.*

was intended to provide a strong incentive for improvement to institutions at both the low end and at the high end of the scoring spectrum. However, both categories tended to be populated primarily with many of the same institutions year after year (Table 3).

Table 3. Institutions in Top and Bottom Three in PBF Scoring

PBF Year	Top 3 (and Ties)	Bottom 3
2014-15	UF, USE, FIU, UCF	FAU, NCF, UWF
2015-16	UF, USE, UCF	FAMU, NCF
2016-17	UF, UCF, FAU	NCF, UNF, UWF
2017-18	UF, USE, UWF	FAMU, FGCU, UNF
2018-19	UF, FIU, FSU, USE, UWF	FAMU, NCF, UNF

Note: Only two institutions were not allocated State Investment funds in 2015-16. Institutions are not presented in order of points accrued.

In addition, the Institutional Investment shall be withheld for institutions obtaining a total PBF score of less than 51 points. Institutions subject to the loss of this funding could recover it by submitting a performance improvement plan with subsequent monitoring by the Board and its staff. Satisfactory progress against the plan would result in the return of the withheld funds, but failure to do so would lead to those funds being redistributed to other institutions. As no institutions have failed to reach the 51 point threshold since the 100-point scale was implemented in 2016, it has not been necessary for the SUS to invoke this mechanism.

The change in the allocation method adopted in 2019 eliminated the Bottom Three rule in favor of a multi-part rule:

- All institutions scoring in the top three (and ties) are eligible for their State Investment funds.
- Any other institutions without two consecutive years of falling PBF scores are also eligible.
- Any institution with the same or lower score for two consecutive years is required to submit an improvement plan to the Board and be subject to monitoring. Evidence of satisfactory progress on that plan will cause State Investment funds to be released in tranches. Failure to make satisfactory progress at any point will cause any remaining funds to be redistributed to the top three institutions.

The allocation method will adjust again in 2020-21, when the threshold for avoiding the need to submit a student success plan and have State Investment funds withheld to be distributed incrementally upon success will rise to 70 points. That change also specifies that institutions failing to make progress against their student success plan will lose 50 percent of their State Investment.

In any event, the funding that institutions have been eligible to receive under PBF has always been linked to their share of base funding provided by the state. Actual allocation amounts have been all-or-nothing, except for the redistribution of any funding forfeited through the Bottom Three rule or through failure to make satisfactory progress against an improvement plan. In other words, the PBF scores have been used almost exclusively to

determine whether institutions actually will receive their eligible funding in full, and not used to redistribute the pool of funding according to those scores. The only exceptions were to determine which institutions could receive additional funding from the Bottom Three and in the case of an institution that lost its Institutional Investment for failure to make satisfactory progress under the prior allocation methodology.

Worth noting is that the SUS institutions that can achieve status as a “Preeminent” or “Emerging Preeminent” institution have access to an additional pool of funds set aside for that purpose. Preeminent status is granted for institutions that cross a specific threshold of performance on 12 metrics defined in statute.⁷ Many of the metrics are the same, or conceptually similar, to student success metrics in the PBF model (e.g., graduation rates, student progress rates), along with measures of research productivity and high placement in reputational rankings like those produced by U.S. News and World Report.

4. Analysis of PBF Metrics

This section provides detailed data on each of the 10 metrics in the PBF model in 2019-20, including the resulting calculations of each metric for each institution on the Excellence and Improvement scales, as well as discussion and analysis of the metric. The benchmarks for points to be awarded on the Excellence scale also appear in the discussion of each metric.

Since the benchmarks for the points to be awarded on the Improvement scale are consistent for the nine metrics common among all institutions (except that improvement for Metric 3 would represent a reduction in costs, so its Improvement benchmarks are negative but of the same absolute value the rest), they are provided just once in Table 4 below. These same benchmarks have remained unchanged since the SUS converted the scales from a 50-point scale to a 100-point scale to take effect in 2016-17. (Prior to that conversion, the scale simply left out the 0.5% steps.) The improvement metric is calculated as a percentage change from one year to the next.⁸

Table 4. Improvement Scoring

Points	Improvement Benchmark
10	5.0%
9	4.5%
8	4.0%
7	3.5%
6	3.0%
5	2.5%
4	2.0%
3	1.5%
2	1.0%
1	0.5%

⁷ Section 1001.7065, Florida Statutes

⁸ https://www.flbog.edu/wp-content/uploads/PBF-FAQs-10_metric_model-June2019.pdf, FAQ#19, p. 6.

a. Metric 1: Percent of Bachelor’s Graduates Employed (Earning \$25,000+) or Continuing Their Education

The first two metrics have their roots in former Governor Scott’s original interest in assessing institutions for their ability to produce workforce-related outcomes. The first metric seeks to capture the share of a graduating cohort with earnings at least comparable to the median income of an individual with just a high school diploma—which makes the threshold a relatively low bar—or who is currently seeking an additional degree. This metric has seen two major changes in the underlying data since its initial use:

- Between 2013-14 and 2014-15, the metric captured all graduates who could be found to be employed in Florida.
- Between 2015-16 and 2016-17, graduates employed anywhere in the U.S. were counted (although data do not cover all states in the country).
- Since 2017-18, the metric requires that employed graduates have an estimated annual wages of at least \$25,000.

Table 5 shows the benchmarks for Excellence that have applied to this metric since 2016-17. It is notable that the benchmarks became less stringent after 2016-17.

Table 5. Metric 1 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks, 2016-17	80	77.5	75	72.5	70	67.5	65	62.5	60	57.5
Benchmarks since 2016-17	72.8	70.5	68.3	66	63.7	61.4	59.2	56.9	54.6	52.3

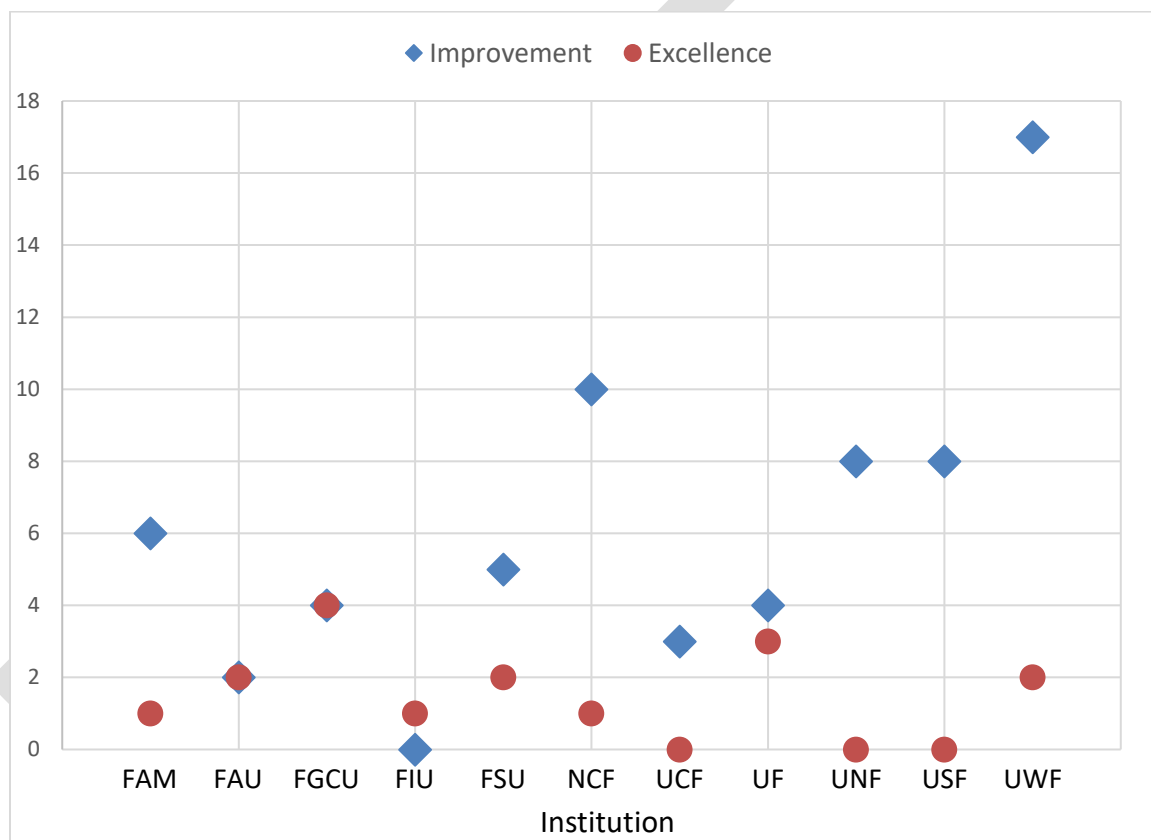
Table 6 provides the final metrics as calculated for each of the past four years.

Table 6. Final Calculated Values for Metric 1, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	70.1%	64.6%	66.7%	63.9%	0.0%	2.8%	2.0%	-2.8%
FAU	75.8%	67.5%	68.9%	68.2%	0.3%	-1.0%	1.4%	-4.0%
FGCU	75.7%	65.8%	68.7%	69.2%	1.3%	1.5%	3.0%	0.5%
FIU	75.7%	69.0%	67.8%	68.2%	-2.2%	0.3%	-1.2%	0.3%
FSU	67.9%	63.7%	66.6%	66.0%	-1.6%	2.9%	2.8%	-0.6%
NCF	52.8%	41.8%	54.2%	53.0%	0.0%	-1.9%	12.4%	-1.2%
UCF	74.8%	66.2%	67.9%	67.4%	0.0%	1.1%	1.7%	-0.5%
UF	72.1%	69.4%	70.9%	71.3%	-0.8%	1.8%	1.4%	0.4%
UNF	75.4%	68.7%	69.1%	69.9%	-0.7%	2.2%	0.4%	0.6%
USF	75.4%	69.6%	70.0%	70.4%	1.0%	2.5%	0.4%	0.1%
UWF	70.2%	67.6%	63.8%	69.2%	1.9%	6.5%	-3.8%	5.2%

Figure 1 illustrates the degree to which institutions experienced stability in institutional scores for Excellence and Improvement over a two-year period from 2017-18 to 2018-19. Data in this figure indicate how much an institution's score on each scale in 2018-19 differed in absolute value over the 2017-18 score, added to the absolute value of the difference for the prior year's score. A data point of zero means that the institution received the same score (whether it was 10 or 0) for all three years. For example, Improvement scores at the University of West Florida have been wildly inconsistent, rising from 3 to 10 from 2016-17 to 2017-18 before falling all the way back to 0 in 2018-19 (which yields a data point of 17 on this figure).

Figure 1. Metric 1 Score Differences in 2016-17 to 2018-19

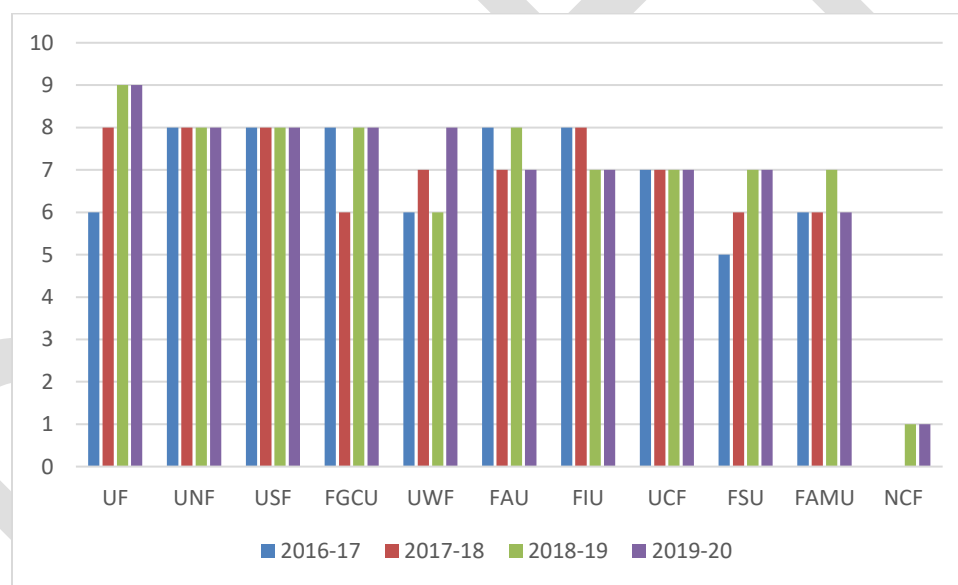


Fortunately for UWF, the metric is generally insensitive to changes from year to year—nearly all scores recorded between 2016-17 and 2018-19 were the result of the institutions' ability to reach benchmarks on the Excellence scale. Unfortunately, that is less the case for NCF, which has consistently fallen far short of other institutions' employment rates. NCF's small size and unique programs and character as a selective liberal arts college are disadvantages to scoring well on this metric. In addition, institutions with relatively small graduating classes are also at heightened risk of losing PBF points because there are significant gaps in the administrative data that feed into the metric. The Chancellor's Office has gone to some lengths to mitigate the gaps that are known to exist—namely, that administrative records are not fully available for graduates who find employment outside of Florida, or are self-employed or employed by

the federal government or military. But for institutions with small graduating classes like NCF, a lack of information about even a relatively few individual students' records can make a meaningful difference in its score. Also, institutions that are located closer to Florida's borders and serve a multi-state economy also may face larger hurdles in gathering data on their graduates.⁹

The following three figures (Figure 2-Figure 4) reinforce that point: nearly all of the SUS institutions can be pretty confident of the scores they are likely to attain from Excellence each year. Apart from NCF, there have not been many Excellence points separating the institutions in recent years, and nearly all points have been awarded via Excellence rather than Improvement.

Figure 2. Metric 1 Points for Excellence, 2016-17 to 2019-20



⁹ There is not currently another administrative data source available to the state for the measurement of employment outcomes in a more comprehensive manner. See details in the related methodology document at https://www.flbog.edu/wp-content/uploads/PBF-Post_Graduation_Methodology_2016-04-28.pdf. In addition to the known sources of missing data is the reality that tracking some students on to continuing enrollment or other meaningful post-graduate placements can be complicated by imperfect record-matching processes and procedures that can produce both false positives and false negatives. These are probably likelier to occur for institutions that graduate students who leave Florida in proportionately higher numbers. Finally, there are also complications involved in estimating what constitutes full-time work and what constitutes a full year's wages because the wage data are expressed as the total compensation earned over a fiscal quarter, not as a wage rate. Thus, graduates' movements in and out of the labor market, among jobs, and across state borders may affect the quality of wage data corresponding to those individuals.

Figure 3. Metric 1 Points for Improvement, 2016-17 to 2019-20

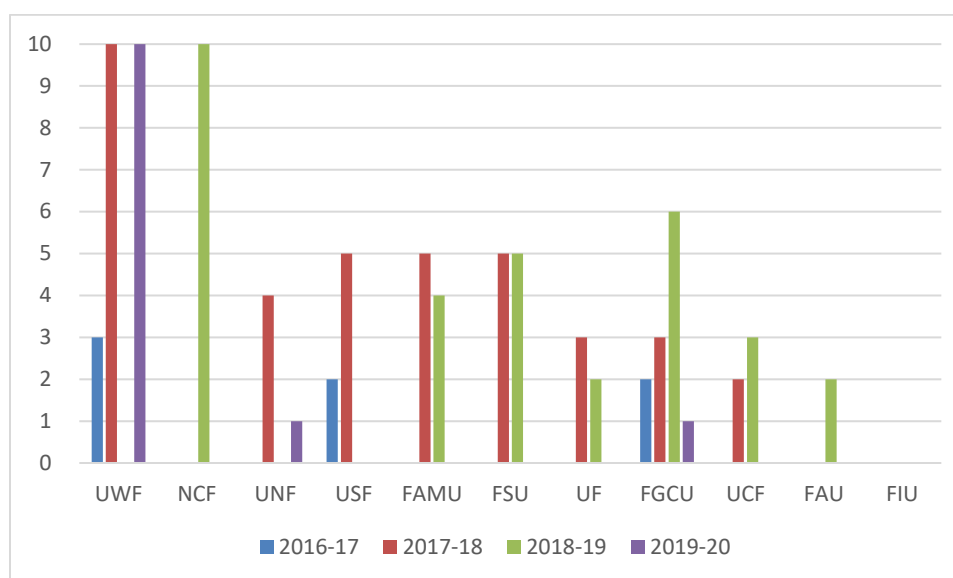


Figure 4. Source of Points Awarded for Metric 1, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
UWF	E	I	E	I
NCF	B	B	I	E
UNF	E	E	E	E
USF	E	E	E	E
FAMU	E	E	E	E
FSU	E	E	E	E
UF	E	E	E	E
FGCU	E	E	E	E
UCF	E	E	E	E
FAU	E	E	E	E
FIU	E	E	E	E

Note: “I” means the PBF score for this metric was determined by the institution’s improvement score; “E” means it was determined based on Excellence; and “B” means that the two scores were the same.

In any event, institutions have few realistic levers they can pull to boost the proportion of their graduates who are able to find jobs—given that prevailing economic conditions are sure to carry greater influence.

b. Metric 2: Median Wages of Bachelor’s Degree Graduates Employed Full-Time

A companion to Metric 1, this metric is intended to address how well the degree a graduate earns pays off in the economy. It relies on data similar to that of Metric 1, and comes with all the same caveats that might tend to create instability in an institution’s scores, although the use of the median helps limit that effect.

Table 7 shows the benchmarks for Excellence that have applied to this metric since 2016-17. Each of the new benchmarks is set \$700 higher than the former benchmarks and help to compensate for rising personal income.

Table 7. Metric 2 Excellence Benchmarks

Points	10	9	8	7	6
Benchmarks, 2016-17	\$40,000	\$37,500	\$35,000	\$32,500	\$30,000
Benchmarks since 2016-17	\$40,700	\$38,200	\$35,700	\$33,200	\$30,700
Points	5	4	3	2	1
Benchmarks, 2016-17	\$27,500	\$25,000	\$22,500	\$20,000	\$17,500
Benchmarks since 2016-17	\$28,200	\$25,700	\$23,200	\$20,700	\$18,200

Table 8 provides the final metrics as calculated for the past four years.

Table 8. Final Calculated Values for Metric 2, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	\$31,100	\$32,700	\$33,000	\$31,600	8.0%	2.2%	0.9%	-4.2%
FAU	\$36,500	\$38,700	\$39,800	\$38,200	1.4%	5.2%	2.8%	-4.0%
FGCU	\$35,200	\$36,300	\$38,000	\$38,000	-0.3%	3.1%	4.7%	0.0%
FIU	\$36,900	\$38,800	\$39,300	\$38,800	1.9%	3.7%	1.3%	-1.3%
FSU	\$32,700	\$35,700	\$35,900	\$37,500	3.5%	4.4%	0.6%	4.5%
NCF	\$24,800	\$26,500	\$26,700	\$25,900	-5.7%	6.0%	0.8%	-3.0%
UCF	\$36,200	\$38,600	\$38,700	\$38,600	3.7%	4.3%	0.3%	-0.3%
UF	\$35,200	\$40,700	\$42,100	\$42,200	1.1%	6.0%	3.4%	0.2%
UNF	\$35,900	\$37,000	\$38,000	\$38,600	3.5%	2.5%	2.7%	1.6%
USF	\$36,300	\$38,000	\$37,300	\$38,000	3.1%	3.5%	-1.8%	1.9%
UWF	\$34,900	\$36,700	\$36,000	\$36,800	6.1%	3.7%	-1.9%	2.2%

As with the previous metric, median wages are highly dependent on economic conditions and the broad-based improvement across nearly all institutions reflects the reality of the nation's strong economic performance over the past decade. Improvement scores have been unusually volatile, but almost all of the PBF points in the 2016-17 through 2018-19 were awarded based on Excellence scores (Figure 5-Figure 8). Except for FAMU and NCF, no institution received less than seven points for Excellence since 2016-17, and none have received less than eight points for Excellence since 2017-18.

Once again and for the same reasons expressed about Metric 1, NCF consistently lags the other institutions. Since it is not routinely earning many Excellence points, it is consequently more susceptible to large swings in the Improvement scale. For example, after posting a substantial increase of six percent in the median wages of its graduates in 2017-18, it earned a full 10 points on this metric for Improvement instead of the four points it would have received based on the still-low wages its graduates earned. The

following year, median wages for NCF grades still climbed but only slightly, meaning that its score reverted to the four points dictated by the Excellence benchmarks.

Figure 5. Metric 2 Score Differences in 2016-17 to 2018-19

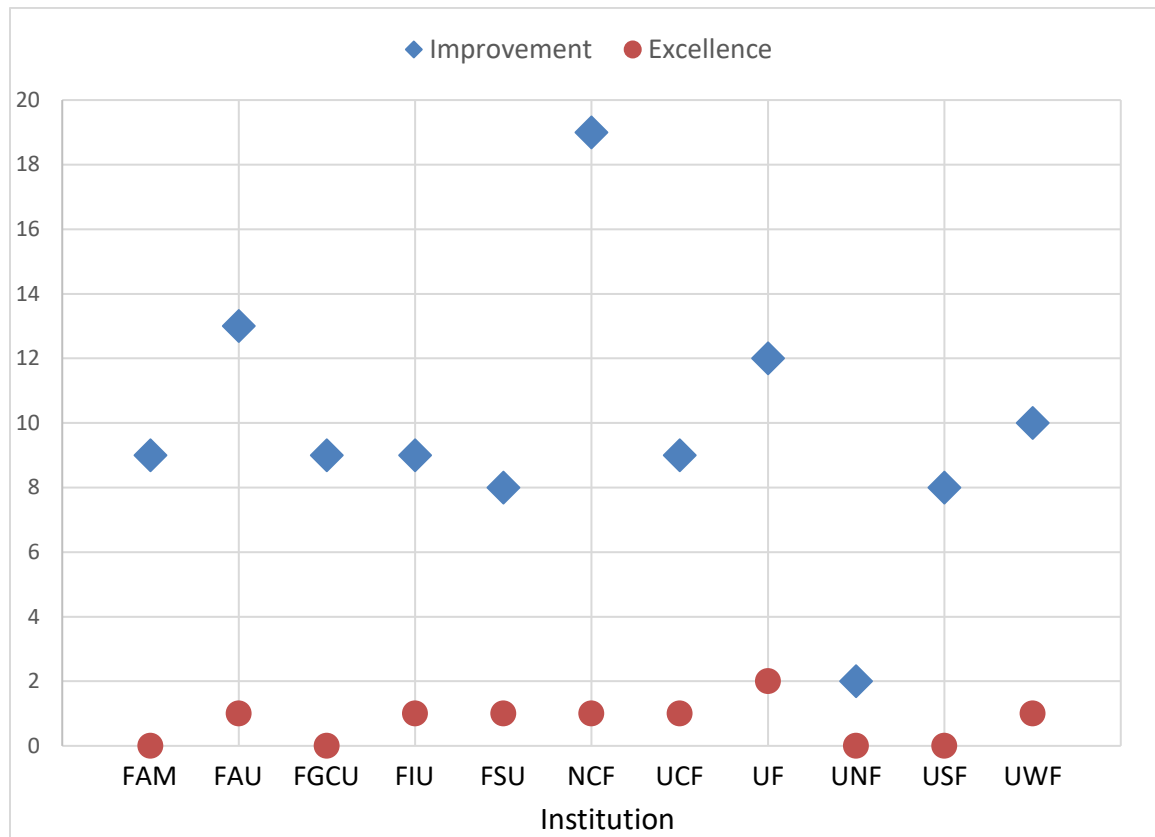


Figure 6. Metric 2 Points for Excellence, 2016-17 to 2019-20

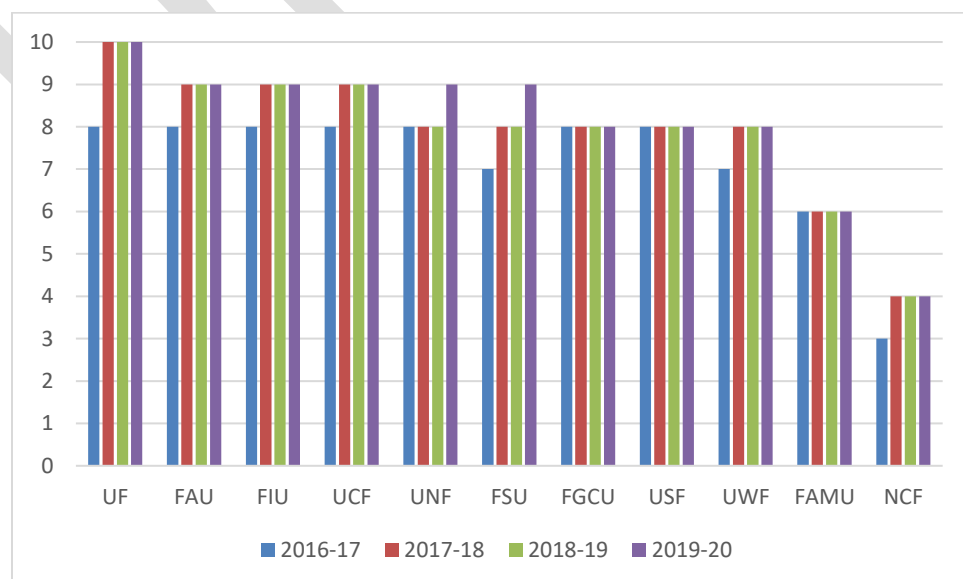


Figure 7. Metric 2 Points for Improvement, 2016-17 to 2019-20

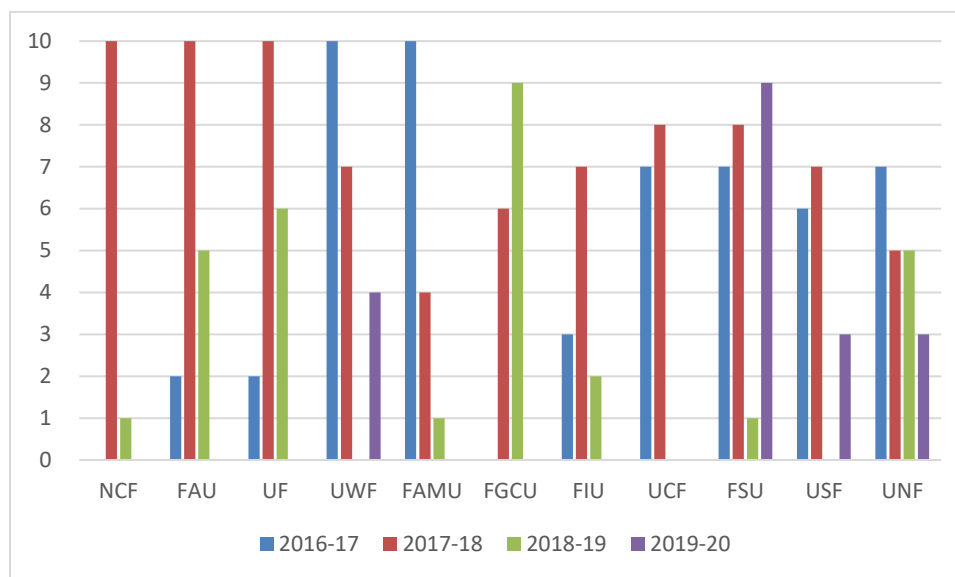


Figure 8. Source of Points Awarded for Metric 2, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
NCF	E	I	E	E
FAU	E	I	E	E
UF	E	B	E	E
UWF	I	E	E	E
FAMU	I	E	E	E
FGCU	E	E	I	E
FIU	E	E	E	E
UCF	E	E	E	E
FSU	B	B	E	B
USF	E	E	E	E
UNF	E	E	E	E

Note: "I" means the PBF score for this metric was determined by the institution's improvement score; "E" means it was determined based on Excellence; and "B" means that the two scores were the same.

Worth noting is that scoring well on the Improvement measure for this metric will only become progressively more difficult for any institution over time, all other things equal. That is because the rate of improvement on a larger denominator will decline for an equally sized dollar increase in median wages. For now, the low median wages earned by NCF graduates would give it an advantage in achieving better Improvement scores, if only the other institutions were finding it more difficult to reach Excellence benchmarks.

c. Metric 3: Average Cost to the Student (Net Tuition per 120 Credit Hours)

This metric was fundamentally changed from its original conception as the institution's average cost to produce an undergraduate degree. That first definition had a clear institution focus rather than a focus on affordability to students, but it did provide a measure of institutional productivity. The new metric attempts to capture the actual average amount students must pay in tuition, fees, and books and supplies over the course of a 120-credit program after accounting for financial aid and the extent to which graduates wind up with excess credits. Calculating this metric is not at all straightforward given the extent to which student mobility, attendance status, and changes in pricing and aid awards can create complications in the availability of data. Consequently, the SUS does not attempt to calculate it on the actual costs specific individuals face over their postsecondary careers, but instead to use a simulated version of that amount. To focus on a single institution's pricing and aid, the metric only applies to students who have completed a baccalaureate degree from the institution where they first enrolled and took a full-time courseload.¹⁰

Since tuition levels for resident students are set by the legislature and have not changed in the last several years, the metric effectively measures three things:

- Variation across campuses in the fees charged to resident students,
- Grant and scholarship aid, and
- The degree to which graduates incur additional costs when they wind up earning credits in excess of the 120-credit requirement for the program.

Since the costs for tuition, fees, and books and supplies are largely beyond the control of SUS institutions themselves, the metric has little power to encourage them to control those costs. Instead, the incentives affect the distribution of aid and the extent to which students take excess credit hours. The latter of these is the purpose of a different metric (Metric 9).

Table 9 shows the benchmarks for Excellence for both versions of this metric.

¹⁰ Tax credits are not included in this metric. Additional details concerning the calculation methodology are available at https://www.flbog.edu/wp-content/uploads/PBF_COST_TO_STUDENT_Methodology_2017-01-21.pdf.

Table 9. Metric 3 Excellence Benchmarks

Points	10	9	8	7	6
Benchmarks (Avg. Cost per UG Degree), 2016-17	\$21,589	\$22,939	\$24,287	\$25,637	\$26,986
Benchmarks (Net T&F per 120 SCH), since 2017-18	\$9,000	\$10,000	\$11,000	\$12,000	\$13,000
Points	5	4	3	2	1
Benchmarks (Avg. Cost per UG Degree), 2016-17	\$28,336	\$29,685	\$31,034	\$32,363	\$33,733
Benchmarks (Net T&F per 120 SCH), since 2017-18	\$14,000	\$15,000	\$16,000	\$17,000	\$18,000

Table 10 shows the metric calculations for each institution; data for 2016-17 are not comparable to subsequent years due to the change in the metric definition. Additionally, since reducing costs to students is the intent of this metric, what constitutes improvement is negative. Scoring for 2017-18 used the net cost to student metric as calculated for 2016-17 expressly for the purpose of calculating Improvement scores.

Table 10. Final Calculated Values for Metric 3, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	\$44,520	\$12,640	\$9,660	\$7,640	11.1%	-8.6%	-12.3%	-19.0%
FAU	\$28,270	\$16,540	\$15,520	\$12,230	2.1%	-2.2%	-6.8%	-16.0%
FGCU	\$30,080	\$18,790	\$18,230	\$15,350	2.3%	0.5%	-3.5%	-13.0%
FIU	\$25,990	\$17,180	\$16,210	\$11,930	2.0%	-3.3%	-6.3%	-24.0%
FSU	\$27,820	\$14,930	\$14,280	\$8,680	4.2%	-0.3%	-5.1%	-37.0%
NCF	\$79,250	\$5,920	\$6,780	-\$1,030	3.3%	-27.7%	12.4%	-117.0%
UCF	\$24,190	\$15,280	\$16,030	\$12,070	7.8%	-0.3%	4.2%	-22.0%
UF	\$26,450	\$10,660	\$10,340	\$2,140	3.9%	6.0%	-3.9%	-79.0%
UNF	\$32,630	\$17,260	\$17,680	\$12,970	6.1%	-0.2%	1.8%	-21.0%
USF	\$26,990	\$13,170	\$12,960	\$7,130	5.9%	-2.7%	-2.4%	-41.0%
UWF	\$31,830	\$16,340	\$15,310	\$9,920	0.5%	5.7%	-6.9%	-23.0%

Immediately evident in the calculated net costs is how unstable the metric appears to be from one year to the next. All institutions saw the value of the metric drop sharply (that is, improve) between 2018-19 and 2019-20. Nearly all institutions also saw the value of the metric fall in the prior year as well. Some institutions (NCF, UCF, and UNF) have seen their metric value rise modestly before plummeting. NCF's calculated net costs per student actually fell below \$0 in 2019-20 (but students still face living, food, and other expenses to attend college, of course).

The figures below (Figure 9-Figure 12) reveal inconsistency in the source and amounts of PBF points on this metric over the past several years. Excellence scores have been

unusually volatile compared to other metrics. Notably, all institutions were eligible for the full 10 points for Improvement in 2019-20.

Figure 9. Metric 3 Score Differences in 2016-17 to 2018-19

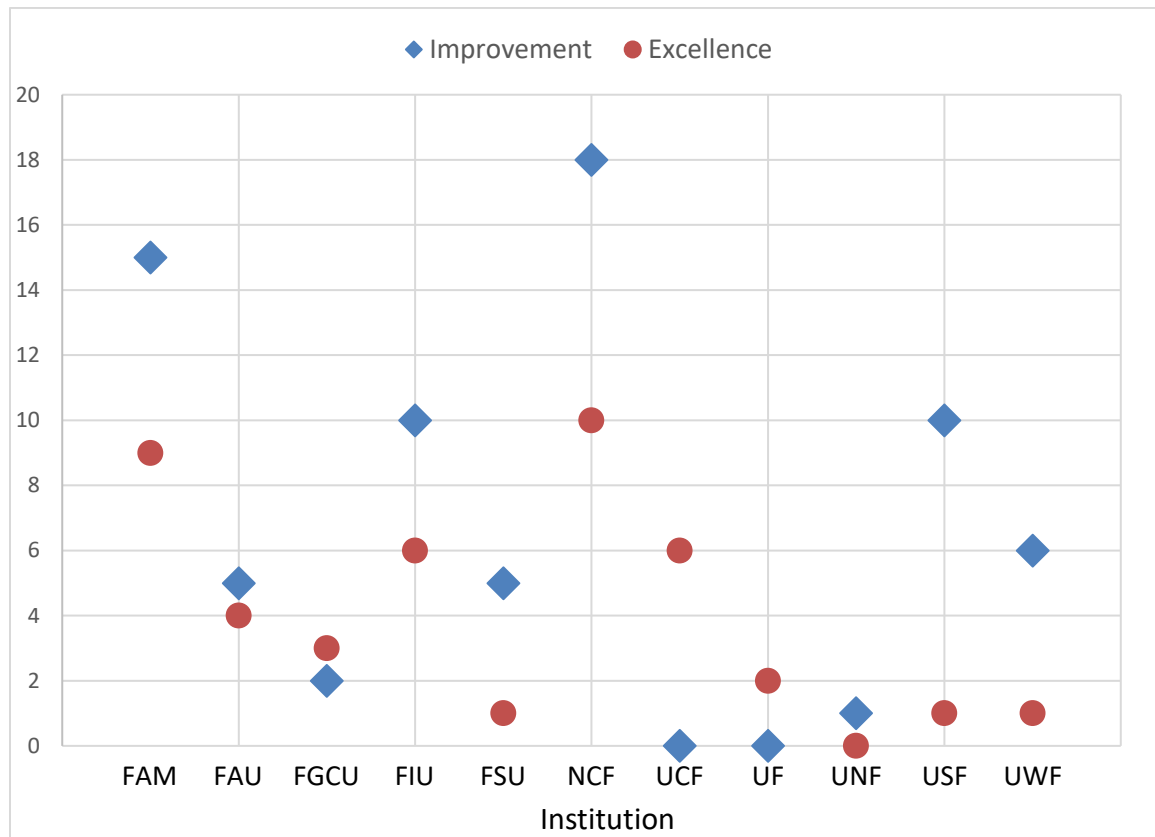


Figure 10. Metric 3 Points for Excellence, 2016-17 to 2019-20

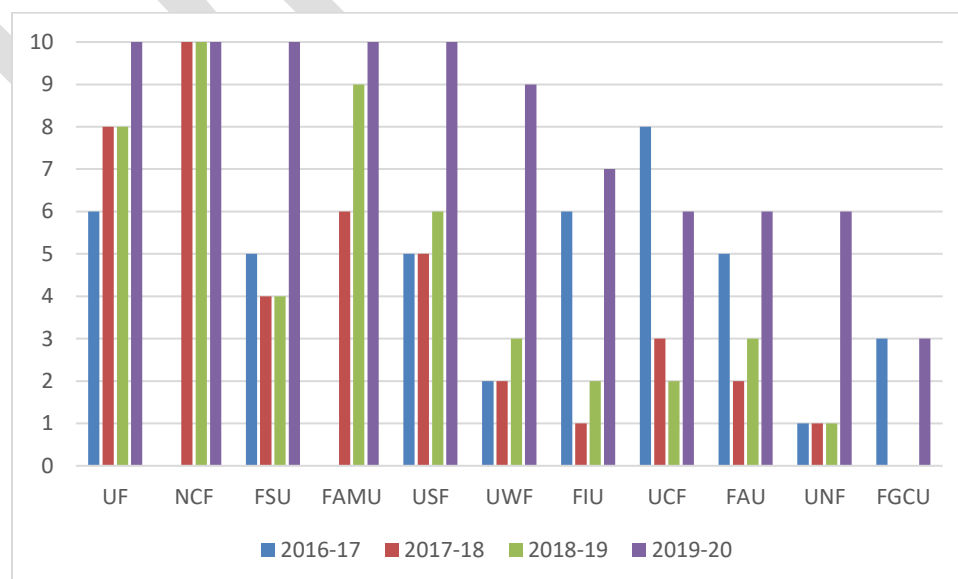


Figure 11. Metric 3 Points for Improvement, 2016-17 to 2019-20

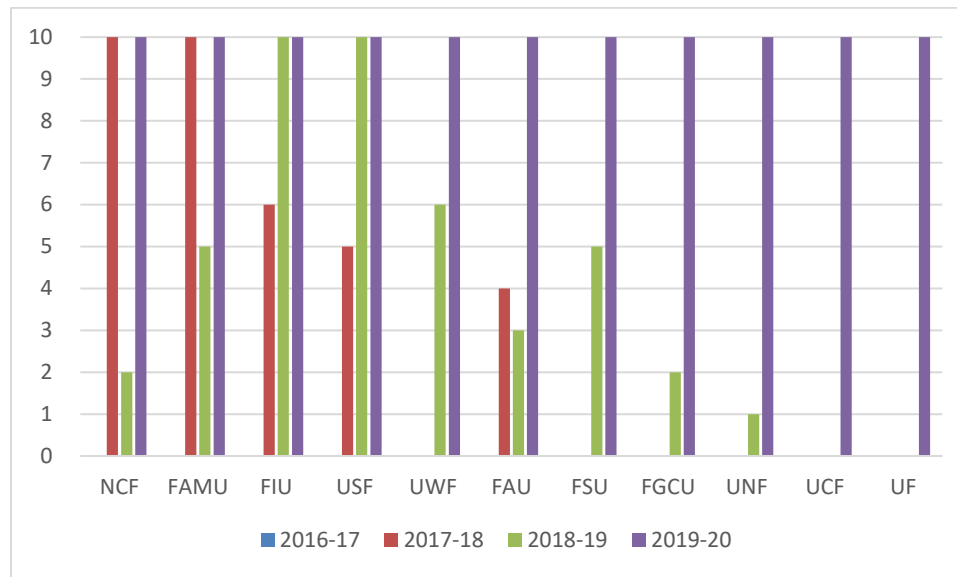


Figure 12. Source of Points Awarded for Metric 3, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
NCF	B	B	E	B
FAMU	B	I	E	B
FIU	E	I	I	I
USF	E	B	I	B
UWF	E	E	I	I
FAU	E	I	B	I
FSU	E	E	I	B
FGCU	E	B	I	I
UNF	E	E	B	I
UCF	E	E	E	I
UF	E	E	E	B

Note: "I" means the PBF score for this metric was determined by the institution's improvement score; "E" means it was determined based on Excellence; and "B" means that the two scores were the same.

Since the metric calculation only applies to graduates who began their programs as FTIC (first time in college) students at the same institution from which they graduated, it leaves out students who are less likely to be FTIC or who attend more than one institution. Both omissions are likelier to affect low-income students, underrepresented minorities, or adults. The fact that it requires a student to complete a bachelor's degree program also disproportionately affects the same subpopulations since their graduation rates are generally lower than their wealthier peers of traditional ages. Consequently, like the graduation rate (Metric 4) and retention rate measures (Metric 5), this measure better covers the populations at some institutions than it does at those where those historically underserved populations tend to enroll in proportionately higher numbers.

Notwithstanding all of these challenges, this metric does at least attempt to capture some of the actual out-of-pocket costs students face, even though it excludes costs of living and other real expenses,¹¹ rather than published prices that increasingly fail to reflect reality. Its requirement that students graduate in order to be counted provides an incentive to get students to the finish line and more quickly. It also rewards institutions with high percentages of Pell recipients (as long as they were FTIC), as well as those enrolling high proportions of students who earn Bright Futures scholarships, who are generally wealthier.¹²

But because of the significant role these aid programs play in helping different groups of students pay the costs of college, this metric falls short as a clear indicator of the degree to which institutions are maintaining affordability. It is particularly weak in not explicitly focusing on affordability to low- and middle-income students, but rather treating a reduction in costs for any students—no matter their means—as equally worthy.¹³

It is also problematic that this metric may be incentivizing institutions to spend their discretionary money in ways that run counter to the state's needs by:

- Limiting aid amounts to low- and middle-income students to cover only their expenses for tuition, fees, and books and supplies, rather than covering needy students' full costs of attendance (including housing, food, transportation, and other expenses), in order to spread their institutional aid budgets more broadly.
- Providing grant aid to students who are eligible for neither Pell Grants nor Bright Futures scholarships.
- Redirecting aid dollars toward FTIC students native to the institution and away from part-time and transfer students.
- Employing the growing analytics movement to identify and commit aid dollars to students who are likeliest to graduate even in the absence of grant aid, as opposed to those whose prospects of graduating are most improved by the receipt of grant aid.

¹¹ Costs for lodging, food, transportation, etc. that comprise real living expenses would typically add about \$14,500 to the Excellence benchmarks, according to the College Board (*Trends in College Pricing*, <https://research.collegeboard.org/trends/college-pricing/figures-tables/average-estimated-undergraduate-budgets-sector-2018-19>).

¹² Since calculations only apply to tuition, fees, and books and supplies, the metric does not reward institutions for enrolling students who are Pell recipients and also earn Bright Futures scholarships, since the latter covers all or part of tuition costs on its own (depending on the specific award a student is eligible for).

¹³ The SUS Chancellor's office has gone to great lengths to provide detailed documentation on the PBF and the methodology used for each metric. In general, these materials are of excellent quality and clarity. However, this metric definition and related calculations are extremely complicated and somewhat opaque, in spite of SUS's efforts at documenting its methods. In the end, SUS presents a final value for this metric that is the product of judgment calls about which students and what years are included in the calculation of costs and aid amounts. For example, the calculation of tuition, fees, and books costs and the calculation of aid are not based on the same group of students. This complexity makes it difficult to assess how those decisions may disproportionately affect institutions, including how clearly institutions can discern and react to the incentives the methodological approach takes.

- Giving institutions reasons to prioritize the use of discretionary aid dollars to boost institutional aid budgets over other worthy expenditures (such as student services, emergency aid programs, etc.) known to promote the success of at-risk students.

d. Metric 4: Four-Year Graduation Rate (Full-Time FTIC)

This metric is calculated as the percent of students who graduate within four years of initial enrollment. Students in the cohort have to be enrolled in college for the first time and must have graduated from the same institution where they began. The measure is consistent with the IPEDS definition for the graduation rate within 100 percent of normal time. In 2018, this metric's definition changed as required by the state legislature from a six-year measure that included part-time students in the initial cohort to a four-year measure that included just full-time students.

Table 11. Metric 4 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks (6-Year) thru 2017-18	70	68.8	67.5	66.3	65	63.8	62.5	61.3	60	58.8
Benchmarks (4-Year) since 2017-18	50	48.8	47.5	46.3	45	43.8	42.5	41.3	40	38.8

Table 12 shows the rates achieved by each institution on this metric. The dramatic reduction in rates between 2017-18 and 2018-19 are the result of the legislatively-mandated change mentioned above.

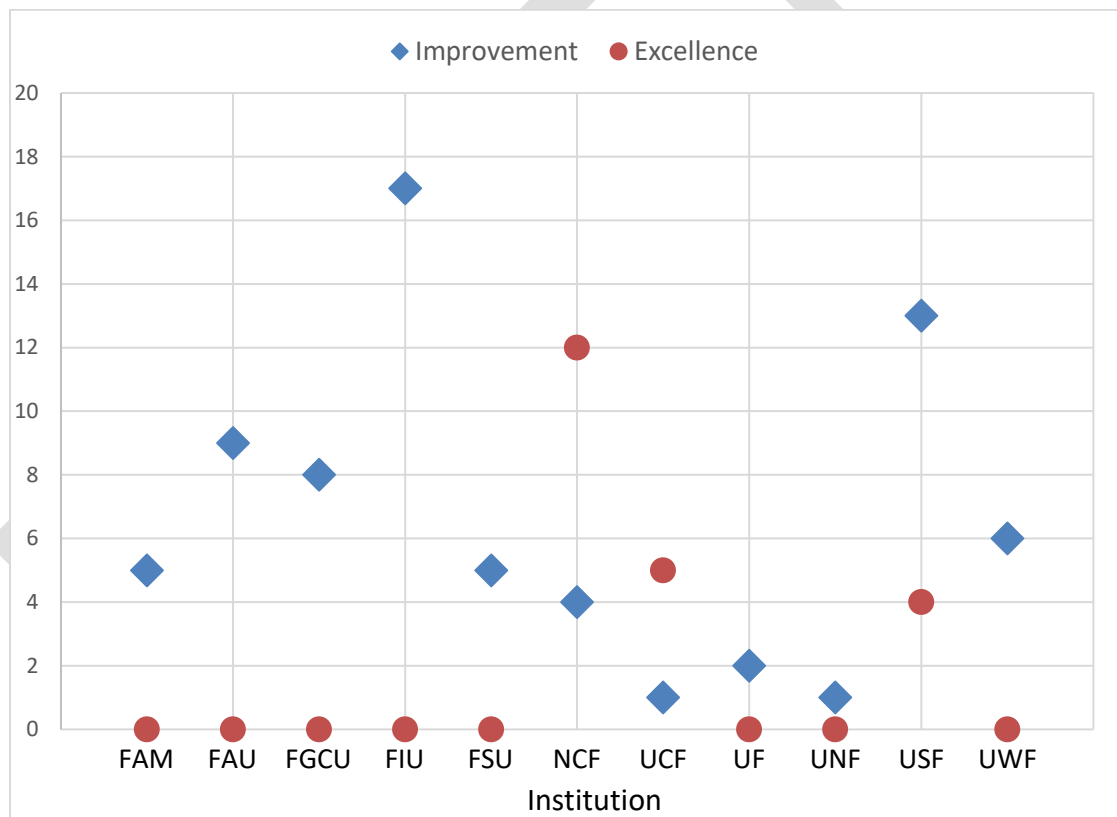
Table 12. Final Calculated Values for Metric 4, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	38.6%	40.7%	21.8%	22.5%	-0.7%	2.0%	2.6%	0.9%
FAU	48.4%	49.2%	27.1%	33.9%	3.4%	0.4%	1.9%	6.4%
FGCU	43.0%	45.5%	22.9%	28.8%	-5.8%	2.5%	1.3%	5.9%
FIU	56.8%	54.8%	33.5%	38.9%	3.7%	-2.0%	5.1%	5.1%
FSU	79.3%	80.0%	68.4%	71.5%	0.3%	0.7%	2.6%	3.1%
NCF	70.5%	63.4%	53.6%	55.7%	1.1%	-7.1%	1.1%	2.1%
UCF	70.1%	68.3%	43.8%	45.7%	0.9%	-1.9%	0.2%	2.0%
UF	86.5%	87.2%	66.0%	67.1%	-1.0%	0.7%	-1.6%	0.4%
UNF	54.0%	53.0%	33.7%	38.5%	-0.8%	-1.0%	0.8%	3.8%
USF	67.8%	66.3%	57.3%	58.6%	1.7%	-1.5%	5.4%	1.2%
UWF	46.7%	48.3%	25.2%	31.3%	-3.9%	1.6%	3.3%	6.1%

The charts below (Figure 13-Figure 16) reveal how divergently this metric treats institutions. Two institutions—FSU and UF—consistently receive the full 10 points from Excellence, while five institutions consistently are unable to qualify for any Excellence

points on this metric. These latter institutions, plus FIU, have been wholly dependent on Improvement to earn PBF points. Unfortunately, there has been considerable variation in the Improvement scores over time. FIU, USF, FAU, and FGCU saw their Improvement scores swing wildly. By virtue of its high marks relative to the Excellence scale, USF's funding was unaffected by the volatility in its Improvement scores, but the other three institutions received their PBF scores based primarily on their Improvement scores. Meanwhile, as FSU, NCF, UF, and UCF were consistently acquiring their PBF scores from their performance against the Excellence benchmarks, none of them showed much improvement against the Improvement benchmarks during the period, and in fact, saw their rates decline in many of the years tracked.¹⁴

Figure 13. Metric 4 Score Differences in 2016-17 to 2018-19



¹⁴ Recall that since 2018-19 was the first year under which the metric counted graduation rates over four years, not six, the rates fell considerably for all institutions. SUS calculated what the rate would have been in 2017-18 if it had been based on graduation within four years in order to calculate improvement scores for 2018-19. This is why FSU's improvement (as well as some of the other institutions') was positive, even though a review of the metrics themselves in the table above would suggest that all institutions were losing ground.

Figure 14. Metric 4 Points for Excellence, 2016-17 to 2019-20

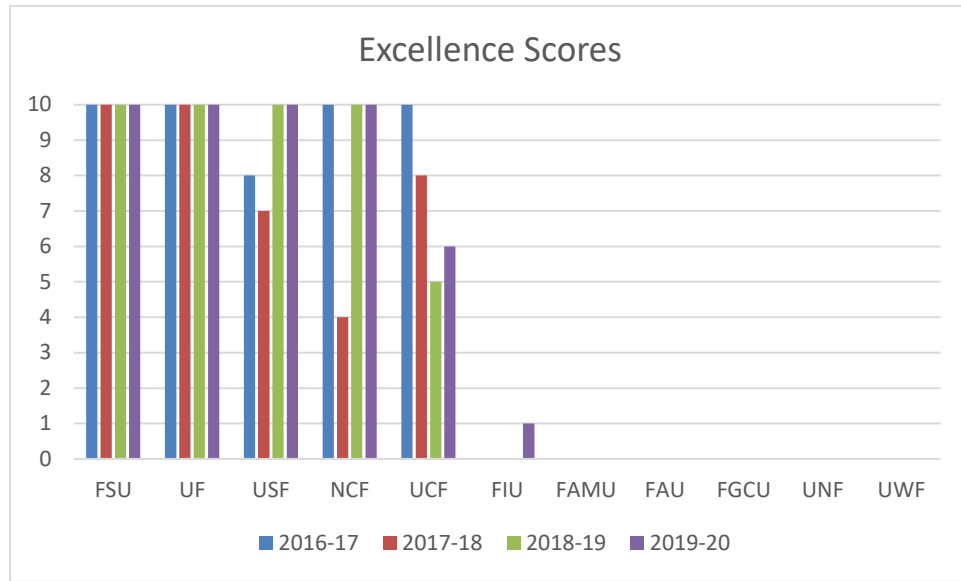


Figure 15. Metric 4 Points for Improvement, 2016-17 to 2019-20

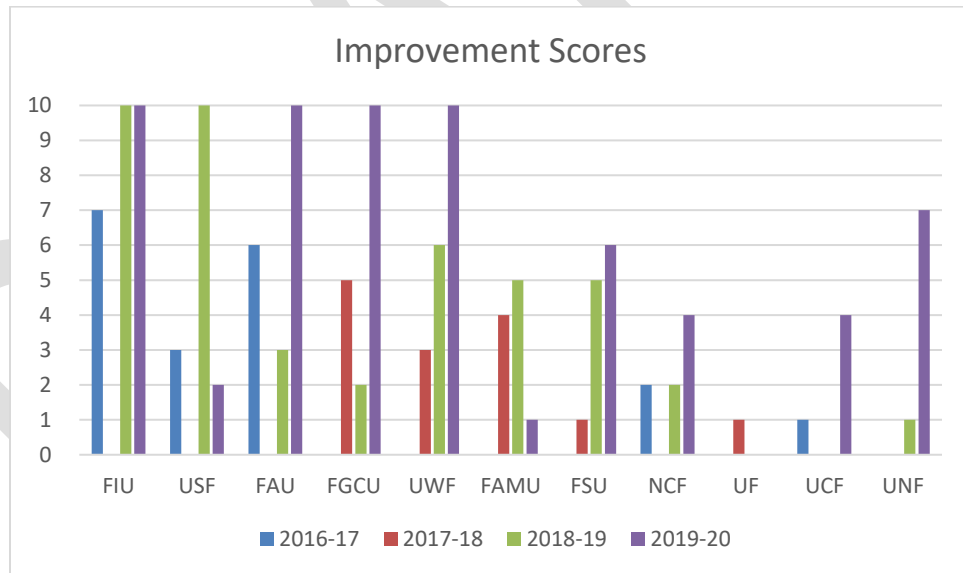


Figure 16. Source of Points Awarded for Metric 4, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
FIU	I	B	I	I
USF	E	E	B	E
FAU	I	B	I	I
FGCU	B	I	I	I
UWF	B	I	I	I
FAMU	B	I	I	I
FSU	E	E	E	E
NCF	E	E	E	E
UF	E	E	E	E
UCF	E	E	E	E
UNF	B	B	I	I

Note: “I” means the PBF score for this metric was determined by the institution’s improvement score; “E” means it was determined based on Excellence; and “B” means that the two scores were the same.

Measuring graduation rates is inherently a challenging task given how widely varied students enrollment patterns can be. Florida’s PBF has hewed closely to the official federal definition throughout its history by creating an initial cohort of first-time full-time students from whom graduates are counted four (initially six) years later. This method creates several issues when applied to funding levels. First, by linking the original cohort to full-time students in their first year, the measure gives an advantage to institutions that are able to recruit students who are academically well-prepared and have sufficient means to attend the institution full-time. For institutions that are not able to recruit as selectively, not only will they have to overcome that disadvantage to reach the required benchmarks for Excellence, but it also means that the measure accounts for a disproportionately smaller share of their student body. Such institutions therefore are not rewarded for the success of students who tend to enroll part-time or who are not native to the campus (transfers in). These features of the reliance on first-time, full-time attendance mean that the institutions that serve larger shares of vulnerable students are far more dependent on gathering PBF points from the Improvement scale.

Conversely, institutions that serve student bodies that they are able to recruit selectively directly from high school, who tend to be more well supported financially and therefore live on campus and work less while in school, and who are academically ready, tend to be able to produce relatively high graduation rates that earn them points on the Excellence scale. While that performance is strong and may be celebrated, consistently earning PBF points via the Excellence scale means that PBF provides weak incentives for further improvement in those scores.

Finally, due to its reliance on rates, this metric is not well aligned to the state’s need for additional graduates since an institution could be rewarded for a better graduation rate even while it is graduating fewer students. Nor is the metric aligned to the likely sources of the population from which graduates will need to be produced, especially adults already in the workforce who may be unable to attend full-time, or will be returning to

college after an absence, or who are transfer students. It is worth noting that the Florida College System's own performance-funding model rewards its institutions for improving the population of students who transfer to the SUS institutions. Yet once in an SUS institution, there is nothing in the PBF policy that prompts an institution to prioritize the success of the transfer students they enroll. Institutions are also not rewarded for the students who transfer out and succeed at another institution, although in such cases the original institution is not punished for failing to graduate them.

e. Metric 5: Academic Progress Rate (Second Year Retention with GPA Above 2.0)

This metric is calculated as the percent of students who are found to be enrolled in an SUS institution in the fall term of the academic year following the year in which they first enrolled at that same SUS institution, from a cohort defined to include only full-time enrollees who are first time in college (FTIC) students in that prior fall term.¹⁵ This calculation is defined similarly to the fall-to-fall retention rate measure in IPEDS, however SUS makes an adjustment to include in the numerator only those students who have achieved a cumulative GPA of at least 2.0.¹⁶

Table 13 provides the benchmarks for Excellence for 2019-20. These have remained unchanged since 2016-17.

Table 13. Metric 5 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks	90%	88.8%	87.5%	86.3%	85%	83.8%	82.5%	81.3%	80%	78.8%

Table 14 shows the rates achieved by each institution on this metric from 2016-17 through 2019-20. The data for the improvement measure in 2019-20 are as reported by the SUS and reflect a change in the calculation from prior years data; therefore, it is not possible to obtain the improvement rates by comparing the difference between the 2019-20 rates and the prior year's rates in the table.¹⁷

¹⁵ Additional details concerning allowable exclusions are provided at file:///S:/Projects/Florida%20SUS/PBF%20Documentation/PBF_GRADUATION_&_RETENTION--Methodology_2018-07-13.pdf.

¹⁶ Due to timing, SUS also uses final enrollment data for PBF, but what they submit to IPEDS is based on preliminary enrollment data.

¹⁷ See final metric score sheets for 2018-19 and 2019-20 as published on the SUS website at <https://www.flbog.edu/finance/performance-based-funding/>, as well as details concerning the methodology change at https://www.flbog.edu/wp-content/uploads/PBF_GRADUATION_RETENTION-Methodology_2019-04-24.pdf.

Table 14. Final Calculated Values for Metric 5, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	75.4%	74.6%	76.3%	71.3%	5.2%	-0.8%	1.7%	1.3%
FAU	71.9%	74.7%	78.4%	80.4%	6.1%	2.5%	3.7%	1.8%
FGCU	73.5%	72.9%	74.8%	72.4%	1.8%	-0.6%	2.0%	-2.9%
FIU	80.4%	80.8%	86.3%	88.0%	3.5%	0.4%	5.6%	1.5%
FSU	91.0%	90.4%	91.4%	91.4%	0.5%	-0.6%	1.1%	-0.4%
NCF	81.3%	84.3%	78.8%	75.9%	1.1%	3.0%	-5.5%	-2.9%
UCF	86.6%	86.5%	87.3%	88.7%	1.7%	-0.1%	0.8%	1.1%
UF	94.6%	95.5%	94.6%	95.2%	-0.6%	0.9%	-1.1%	0.5%
UNF	74.6%	75.4%	77.5%	78.6%	-3.2%	0.8%	2.1%	0.4%
USF	85.1%	86.1%	85.9%	61.5%	-0.3%	1.1%	-0.2%	0.1%
UWF	64.3%	70.1%	73.5%	79.8%	0.0%	5.2%	3.5%	5.2%

Like the prior metric, this one creates a real break between institutions that score well according to the Excellence benchmarks and those that do not. Once again, FSU and UF consistently earn the full 10 points, while FAMU, FAU, FGCU, and UNF have earned no Excellence points since 2016-17 and UWF earned exactly one point for Excellence over that timeframe.

Also similar to Metric 4 is the volatility in Improvement scores that these latter institutions experience (Figure 17-Figure 19). For example, after earning full points for Improvement in 2016-17, FAMU earned none the following year, before a modest recovery in 2017-18. Since Improvement scores are the only means FAMU seems to have to earn PBF on this metric, this volatility creates a significant challenge for predictable performance according to the PBF model, leading to uncertainty in funding levels.

While not always affecting the final PBF score, the volatility in Improvement for this metric is perhaps most pronounced for the institutions that are in the middle, sometimes earning Excellence points and sometimes Improvement points. FIU is a case in point: its Improvement scores saw huge differences from year to year, dropping from 7 to 0 points between 2016-17 and 2017-18 before pinballing back up to 10 points in 2018-19 (and thus the resulting data point in the figure is calculated as 7 + 10). This shows how highly volatile and unpredictable are the scores for improvement on this metric—while all but two of the institutions saw no change in their scores on the Excellence scale, all but two had cumulative differences in their Improvement scores of at least four points, and four institutions experienced a cumulative swing in their Improvement scores of at least 10 points.

These institutions most reliant on and facing the greatest uncertainty with Improvement scores also happen to be those whose student bodies are among the most diverse in terms of race/ethnicity and age and are most dependent on Pell Grants. In nearly every year between 2016-17 and 2019-20, the institutions facing the greatest uncertainty in their Improvement scores were awarded their PBF scores for this metric based on those highly volatile scores (Figure 20).

Figure 17. Metric 5 Score Differences in 2016-17 to 2018-19

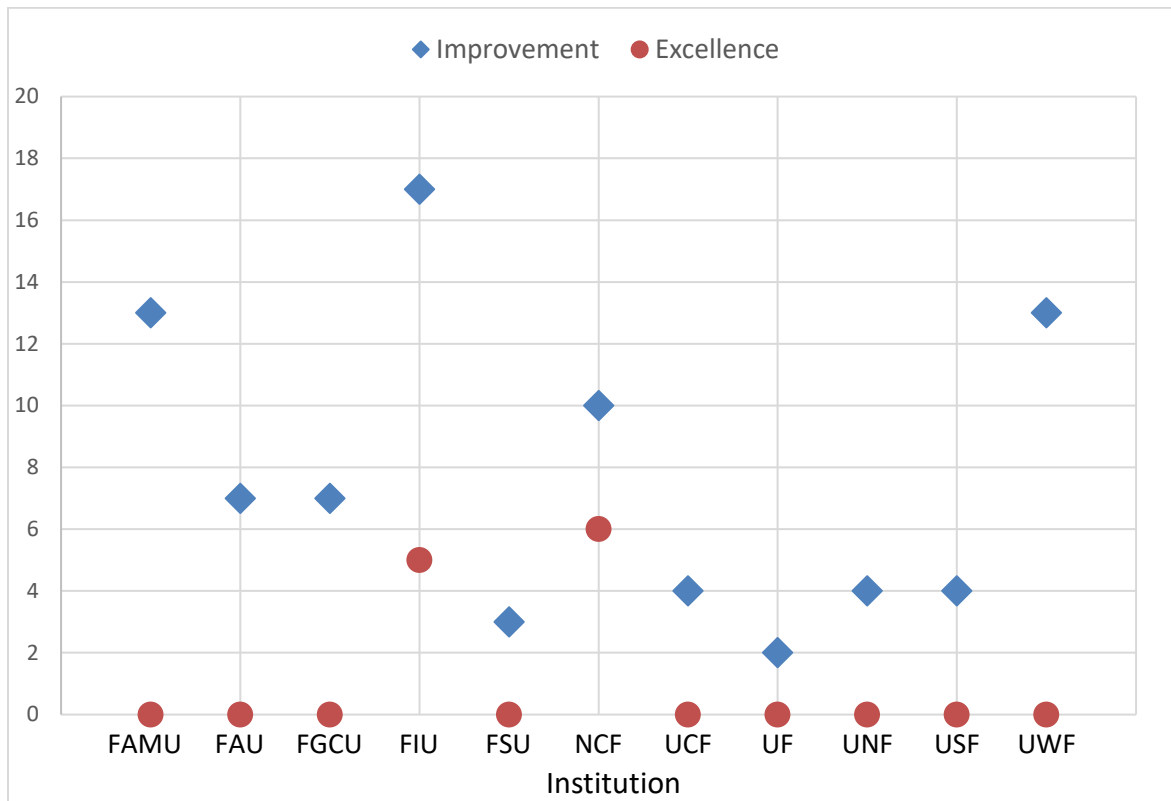


Figure 18. Metric 5 Points for Excellence, 2016-17 to 2019-20

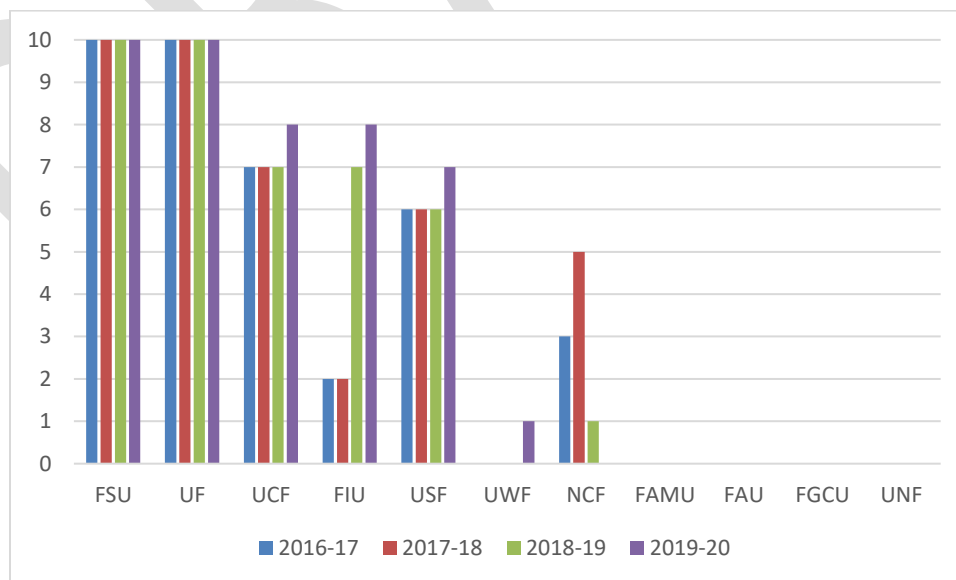


Figure 19. Metric 5 Points for Improvement, 2016-17 to 2019-20

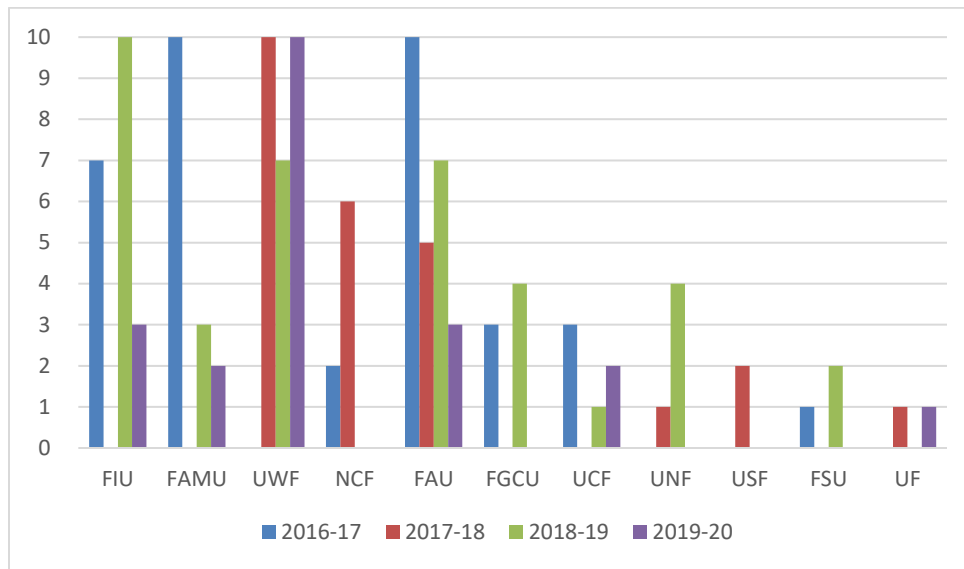


Figure 20. Source of Points Awarded for Metric 5, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20	2019-20
FIU	I	E	I	E	E
FAMU	I	B	I	I	I
UWF	B	I	I	I	I
NCF	E	I	E	B	B
FAU	I	I	I	I	I
FGCU	I	B	I	B	B
UCF	E	E	E	E	E
UNF	B	I	I	B	B
USF	E	E	E	E	E
FSU	E	E	E	E	E
UF	E	E	E	E	E

Note: “I” means the PBF score for this metric was determined by the institution’s improvement score; “E” means it was determined based on Excellence; and “B” means that the two scores were the same.

The fifth metric also has many of the same definitional issues that were described for Metric 4 concerning graduation rates, namely that the restriction of the cohort to full-time first-time in college means that the calculation is more representative of an institution’s success when it enrolls dependent students directly out of high school. It also fails to account for the success of students who transfer in.

Moreover, by relying on fall-to-fall retention, what is rewarded is the continued enrollment of (a subset of) students, rather than their actual progress in accumulating credits toward a degree. The adoption of the 2.0 GPA requirement helps to address that issues, but at the same time it also likely further distorts the picture by rewarding institutions who are able to enroll students who are well prepared for college-level

academics in their first year. Students who are more likely to struggle, especially initially, will have little time to resurrect a low GPA that is measured cumulatively, even if they have withstood the rigors of an initial adjustment to college and have a much-improved GPA in a single, more recent semester.

As currently constructed, this metric ignores a group of students—those who are not enrolled initially in the fall, or who enroll as part-time students, or who are not enrolling in a postsecondary institution for the first time. Such enrollment patterns are more common among historically underserved student populations. Moreover, the reliance on fall-to-fall retention for an FTIC cohort reinforces institutional policies and practices that prioritize students, usually of traditional age, who follow a linear path through postsecondary education, a group that is increasingly less representative of the full population of postsecondary students, especially at broad-access institutions. An alternative—and arguably better—measure would be to count the number of students that cross a threshold that provides evidence of academic progress, such as 30 or 45 credits, irrespective of when and where they began their postsecondary experiences. Such a measure would give institutions a clear reason to build forward momentum for all students.

f. Metric 6: Bachelor's Degrees Awarded in Areas of Strategic Emphasis

The metric is intended to steer institutions to emphasize certain academic programs identified by the Board of Governors as being linked to state workforce and economic needs. The areas of strategic emphasis were most recently defined in 2013 and applied equally to all institutions throughout the state. The metric itself is simply a proportion of bachelor's degrees awarded in certain CIP codes among all bachelor's degrees awarded in a given year.

Benchmarks for Excellence for this metric have not been changed since 2016-17, and are provided by Table 15, while Table 16 provides the metric calculations.

Table 15. Metric 6 Benchmarks for Excellence

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks	50%	47.5%	45%	42.5%	40%	37.5%	35%	32.5%	30%	27.5%

Table 16. Final Calculated Values for Metric 6, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	49.6%	48.0%	42.6%	43.7%	-1.5%	-1.7%	-5.4%	1.1%
FAU	54.2%	52.7%	50.7%	49.3%	-0.9%	-1.4%	-2.0%	-1.5%
FGCU	44.7%	47.9%	52.5%	53.1%	-0.4%	3.2%	4.6%	0.6%
FIU	46.9%	47.7%	48.9%	46.3%	0.8%	0.8%	1.2%	-2.6%
FSU	39.1%	42.8%	43.4%	44.4%	1.5%	3.8%	0.6%	0.9%
NCF	39.5%	45.9%	51.2%	48.0%	-2.8%	6.3%	5.3%	-3.2%
UCF	49.7%	52.0%	51.9%	51.6%	0.8%	2.3%	-0.1%	-0.3%
UF	56.1%	56.9%	58.8%	57.6%	1.5%	0.8%	1.9%	-1.2%
UNF	44.7%	48.7%	51.7%	54.3%	-0.1%	4.0%	3.0%	2.6%
USF	54.6%	59.0%	61.4%	61.5%	3.6%	4.4%	2.4%	0.1%
UWF	51.1%	49.5%	52.0%	54.3%	1.1%	-1.7%	2.6%	2.3%

This metric has proven to be relatively stable on both scales, Excellence and Improvement, although nearly all PBF scores have been awarded via the Excellence scale (Figure 21-Figure 24). This is partially a byproduct of the difficulty of institutions affecting a metric such as this much in a short timeframe, given the length of time it takes for most students to obtain a bachelor's degree and the substantial changes in percentage terms required to collect many points on the Improvement scale.

In any event, most of the institutions have also been able to increase their scores on the Excellence scale over the 2016-17 to 2018-19 timeframe, although FAMU has been an exception and some other institutions have seen their shares of awards in areas of strategic emphasis slip slightly by 2019-20 (e.g., FAU, FIU, NCF) after three years of growth. By 2019-20, all but three institutions were receiving all 10 points available through this metric. Consequently, while improvements in scores relative to the Excellence benchmarks are evident over the last four years, it is less clear how much longer the metric can spur improvement, given that nearly all institutions are unable to obtain more points for PBF funding than they already earn.

Similarly, this metric's alignment to state goals is limited by its treatment as a proportion of all degrees awarded. Thus an institution can improve on this metric either by working to increase awards in the designated fields, or by reducing awards in other fields not so designated. The former strategy likely fits nicely with the state goals. But the latter strategy perhaps does not, especially if the effort leads to a reduced level of degree production overall.

Figure 21. Metric 6 Score Differences in 2016-17 to 2018-19

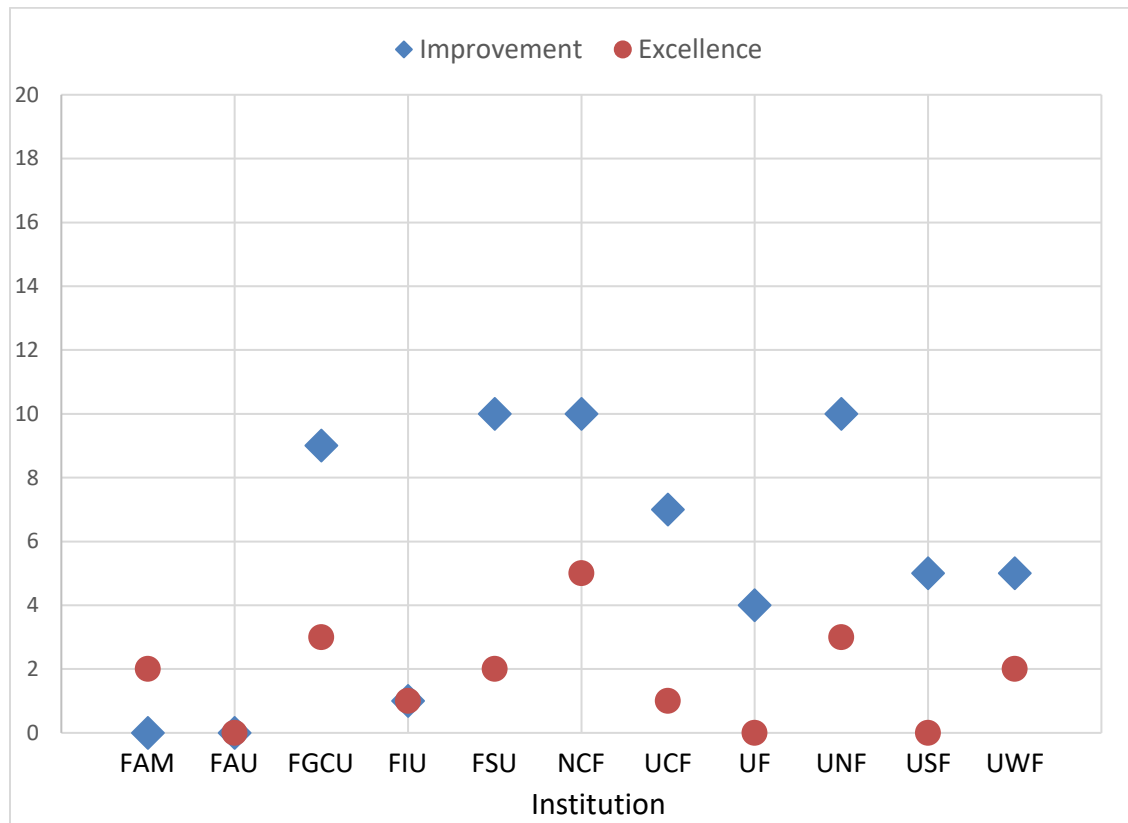


Figure 22. Metric 6 Points for Excellence, 2016-17 to 2019-20

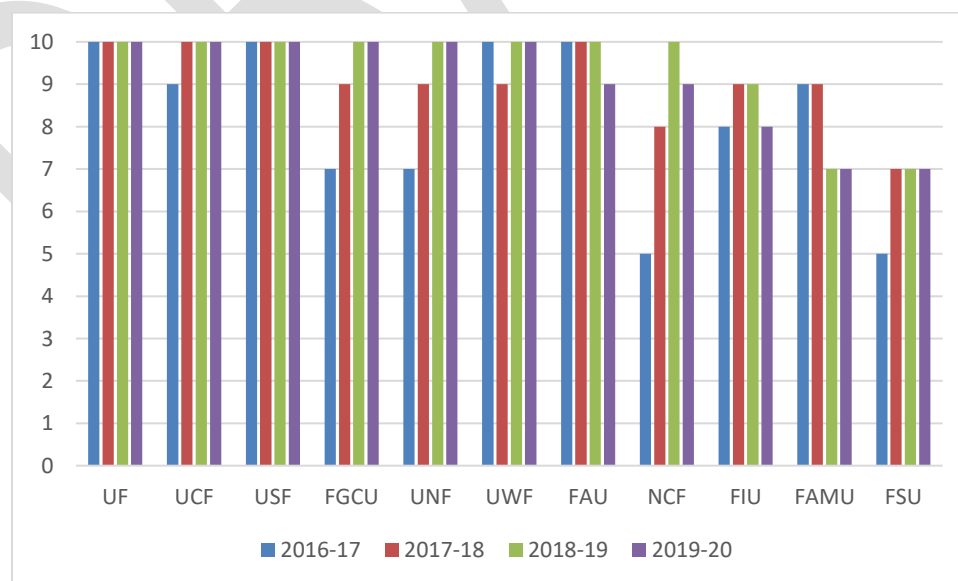


Figure 23. Metric 6 Points for Improvement, 2016-17 to 2019-20

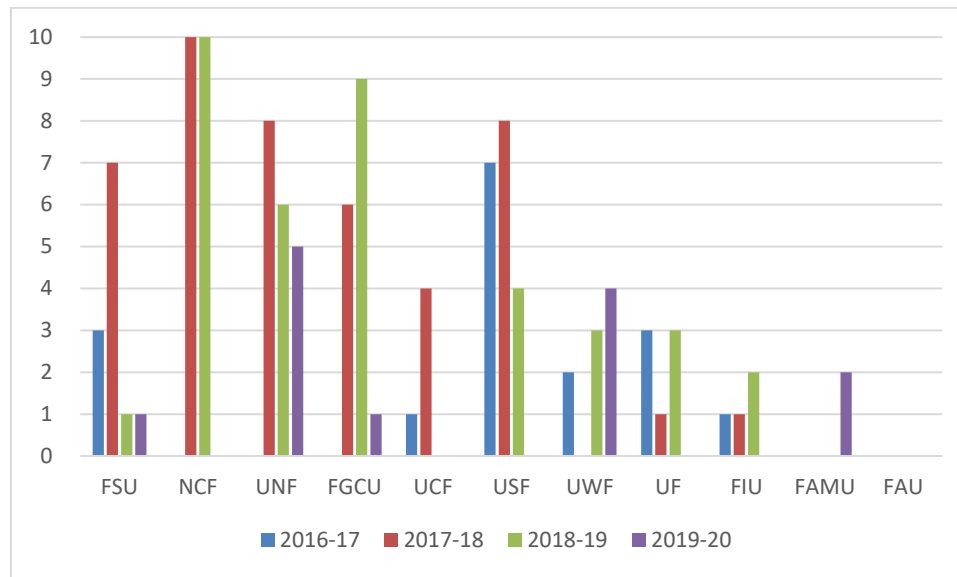


Figure 24. Source of Points Awarded for Metric 6, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
FSU	E	B	E	E
NCF	E	I	B	E
UNF	E	E	E	E
FGCU	E	E	E	E
UCF	E	E	E	E
USF	E	E	E	E
UWF	E	E	E	E
UF	E	E	E	E
FIU	E	E	E	E
FAMU	E	E	E	E
FAU	E	E	E	E

Note: "I" means the PBF score for this metric was determined by the institution's improvement score; "E" means it was determined based on Excellence; and "B" means that the two scores were the same.

Worth noting is that the definition of the areas of strategic emphasis are not sensitive to regional differences in economic and demographic conditions that can materially affect the type of degree programs that can fulfill workforce needs locally. Furthermore, an institution's ability to score well on this measure is directly connected to its array of academic programs, which itself is the product of the institution's own unique history and mission. Institutional scores are also dependent on their ability to get new programs approved.

g. Metric 7: University Access Rate (Percent of Undergraduates with a Pell Grant)

This metric is a straightforward ratio of the number of Pell recipients to the number of undergraduates enrolled at each institution.¹⁸ It is intended to provide an incentive to ensure that SUS institutions are accessible to low-income students.

Table 17 shows the Excellence benchmarks in effect. While the calculation methodology has remained unchanged since 2016-17, the SUS introduced a substantial change in the Excellence benchmarks beginning in 2018-19. These changes created a far wider dispersion in the points required to meet the threshold for points to be awarded than was previously the case. Table 18 provides the calculated metrics for this metric.

Table 17. Metric 7 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks thru 2017-18	30	28.8	27.5	26.3	25	23.8	22.5	21.3	20	18.8
Benchmarks since 2018-19	42	38	34	30	26	22	18	14	10	6

Table 18. Final Calculated Values for Metric 7, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	64.7%	65.4%	62.8%	65.6%	3.2%	0.7%	-2.6%	2.8%
FAU	40.9%	41.8%	41.1%	42.9%	-0.3%	-0.5%	-0.7%	1.8%
FGCU	33.8%	31.9%	30.6%	32.5%	-1.2%	-2.3%	-1.4%	1.9%
FIU	50.5%	51.4%	50.4%	52.0%	-0.4%	0.3%	-1.0%	1.6%
FSU	28.4%	27.7%	28.0%	28.3%	-1.6%	-0.7%	0.3%	0.3%
NCF	30.0%	28.3%	29.5%	33.3%	1.3%	-1.6%	1.2%	3.8%
UCF	39.0%	39.8%	39.4%	40.6%	0.6%	0.4%	-0.3%	1.2%
UF	31.6%	29.7%	27.7%	28.6%	-0.8%	-1.9%	-2.0%	0.9%
UNF	32.7%	32.1%	30.2%	30.7%	-0.8%	-0.5%	-1.9%	0.5%
USF	41.6%	41.2%	40.0%	41.7%	-0.5%	-1.8%	-1.2%	1.7%
UWF	40.6%	41.3%	39.2%	39.6%	0.1%	-0.3%	-2.1%	0.4%

This adjustment is especially notable because not a single institution has received PBF points for Improvement at least since 2016-17. This is true even though the volatility of the Improvement scale is the least substantial of any metric in the PBF model. In fact, eight of the institutions did not improve this metric at a rate sufficient enough to be eligible for a single point for Improvement between 2016-17 and 2019-20 (Figure 25-Figure 28). Rather, access rates at several institutions fell over the period. Of course, that is partly due to the improving economy resulting in fewer students being eligible to

¹⁸ Details on the methods are available at https://www.flbog.edu/wp-content/uploads/PBF-University_Access_Rate_Methodology_2016-06-08.pdf.

receive a Pell Grant. But five institutions (FAMU, FAU, FIU, NCF, and UCF)¹⁹ all reported higher proportions of low-income students in 2019-20 than in 2016-17, in spite of such broader macroeconomic effects.

In any case, the net effect of the changes to the benchmarks in 2018-19 was moderate, serving mainly to provide some separation among institutions that have historically served large shares of low-income students. So FAMU, with the highest rate of Pell recipients in the state, retained its full 10 points on this metric, while other institutions that had previously been able to count on full points (or at least more points) lost up to three points at the most.

The changes also made the metric more predictable for institutions by increasing the gap between benchmark thresholds for points. Since 2016-17, no institution has seen their share of Pell recipients fluctuate as much as the four percentage points (in a single year or cumulatively) that now separate benchmark thresholds. Furthermore, with all institutions enrolling at least 28 percent Pell students, using benchmark thresholds as low as six percent—or even 20 percent—seems like overkill. Thus, while the changes in 2018-19 did manage to create some relative advantage in the PBF model for institutions that serve high proportions of low-income students, they also robbed the metric of much power as an incentive to encourage other institutions to better target and serve them.

¹⁹ USF also has a rate one-tenth of one percent higher, which may be considered a distinction without a difference.

Figure 25. Metric 7 Score Differences in 2016-17 to 2018-19

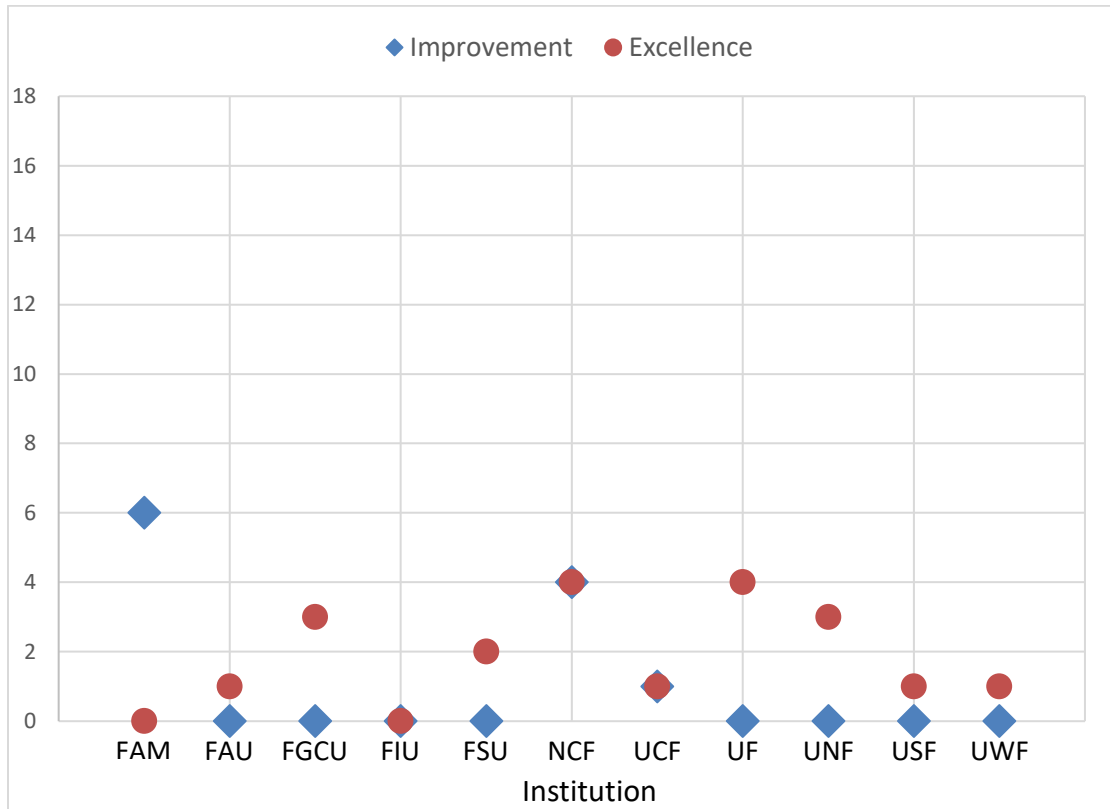


Figure 26. Metric 7 Points for Excellence, 2016-17 to 2019-20

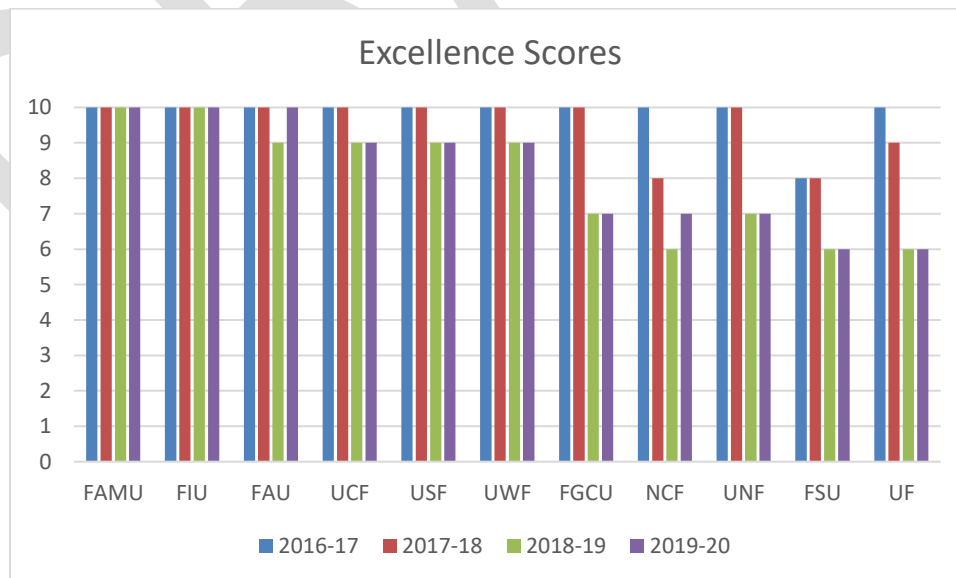


Figure 27. Metric 7 Points for Improvement, 2016-17 to 2019-20

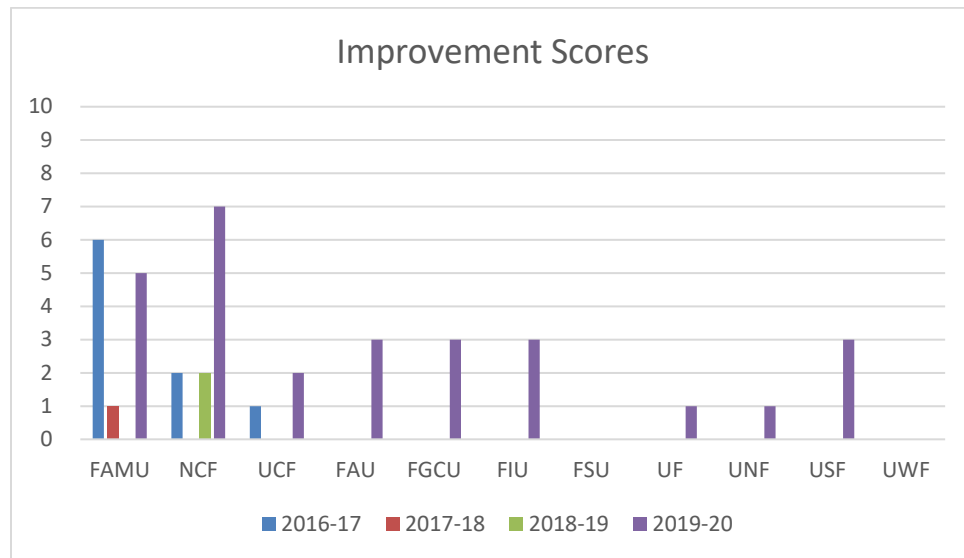


Figure 28. Source of Points Awarded for Metric 7, 2016-17 to 2019-20

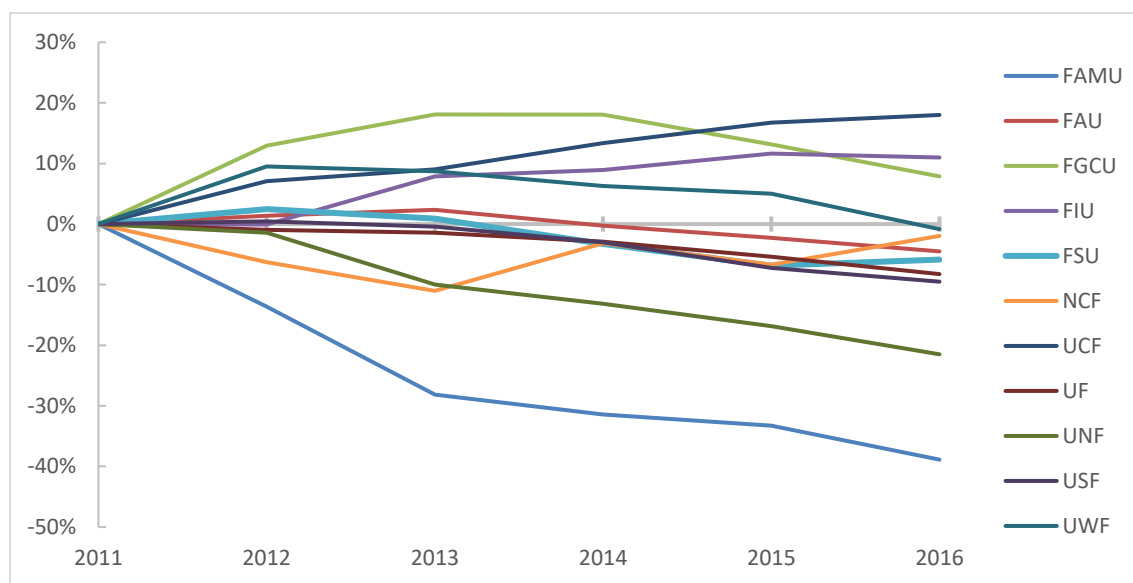
	2016-17	2017-18	2018-19	2019-20
FAMU	E	E	E	E
NCF	E	E	E	B
UCF	E	E	E	E
FAU	E	E	E	E
FGCU	E	E	E	E
FIU	E	E	E	E
FSU	E	E	E	E
UF	E	E	E	E
UNF	E	E	E	E
USF	E	E	E	E
UWF	E	E	E	E

Note: “I” means the PBF score for this metric was determined by the institution’s improvement score; “E” means it was determined based on Excellence; and “B” means that the two scores were the same.

Additionally, like several other metrics in Florida’s model, recognizing performance based on numbers would be a superior to the current use of rates. Figure 29 shows the history of SUS institutions’ enrollment of Pell recipients from 2011 to 2016. Relative to 2011, eight of the institutions actually enrolled fewer Pell recipients in 2016. A major reason why that is true is the upswing in the economy, which lifted some families’ income sufficiently to render them ineligible for Pell Grants (even as the maximum Pell Grant rose) and also raised the opportunity costs of college enrollment as well-paying jobs grew more plentiful during that period. Yet three of the institutions—FGCU, FIU, and UCF—were able to enroll substantially more Pell recipients while working under the same conditions. Economic conditions can shape institutions’ ability to enroll low-income students, especially adults, but this illustration points out both that such

conditions are not definitive, and that institutions focused on rates of enrollment can still show strong performance even as their enrollment of low-income students dips.

Figure 29. Cumulative Percent Change in Enrollment of Pell Grant Recipients, 2011-2016



Finally, while it is necessary for an institution to first recruit low-income students if it is going to eventually confer degrees on them, this metric does not explicitly incentivize institutions to make sure that their low-income students succeed. Other metrics in the PBF model are supposed to serve that purpose, so this metric is clearly intended to ensure that institutions do not neglect the need to maintain service to an economically diverse student body. But it also functions as the most significant way the PBF model accounts for differences in institutional mission, at least as that mission is represented by the economic background of its students.

h. Metric 8: Graduate Degrees Awarded in Areas of Strategic Emphasis / Freshman in Top 10 Percent of Graduating High School Class (NCF Only)

For all institutions other than NCF, this metric is simply a percentage of degrees awarded in a set of academic fields established by the Board of Governors, most recently in 2013. Because the areas of strategic emphasis would not match NCF's specialized mission related to undergraduate education in the liberal arts, it has its own metric.

Neither of these metrics have changed conceptually since 2016-17. Table 19 provides the benchmarks for Excellence for both of them.

Table 19. Metric 8 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks	60	57.5	55	52.5	50	47.5	45	42.5	40	37.5

Points (NCF)	10	9	8	7	6	5	4	3	2	1
Benchmarks	50	47.5	45	42.5	40	37.5	35	32.5	30	27.5

This metric has seen some of the most volatility among the Excellence scores as any of them, though in nearly all cases it that has occurred because the institutions have achieved higher thresholds on the scale in each successive year (Figure 30-Figure 33). It is also a metric on which the Improvement scores are highly volatile. But because most of the scores are being determined by the Excellence scale, the volatility in the Improvement scale has a limited effect. Apart from FAMU, UWF, and FSU, nearly all PBF points come from achievement along the Excellence scale. FGCU, UCF, UF, USF, and FAU have consistently received full points on this metric for Excellence since 2016-17. FSU and UWF have made considerable improvements in the share of degrees awarded in designated fields.

NCF's performance on this metric deserves mention due to its special treatment. Unfortunately for its PBF funding, it has mostly lost ground in Excellence and Improvement from 2016-17 to 2018-19.

Table 20. Final Calculated Values for Metric 8, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	51.5%	58.2%	58.9%	55.2%	8.2%	6.7%	0.7%	-3.7%
FAU	61.2%	59.4%	62.4%	64.4%	5.7%	-1.8%	3.0%	1.9%
FGCU	60.2%	65.3%	62.0%	64.2%	-3.4%	5.2%	-3.3%	2.2%
FIU	54.1%	58.7%	59.6%	56.2%	1.7%	4.6%	0.8%	-3.4%
FSU	42.0%	46.0%	56.9%	59.3%	3.5%	4.0%	3.0%	2.4%
NCF	45.0%	43.0%	35.0%	38.0%	4.0%	-2.0%	-8.0%	3.0%
UCF	61.7%	63.4%	62.0%	62.6%	4.3%	1.7%	-1.4%	0.6%
UF	69.2%	70.3%	70.9%	70.6%	-0.6%	1.1%	0.6%	-0.2%
UNF	50.0%	48.9%	53.6%	52.7%	-0.2%	-1.1%	4.8%	-1.0%
USF	72.7%	74.6%	74.8%	73.3%	3.7%	1.9%	0.2%	-1.5%
UWF	38.8%	44.0%	51.1%	53.1%	-7.7%	5.1%	7.2%	1.9%

Figure 30. Metric 8 Score Differences in 2016-17 to 2018-19

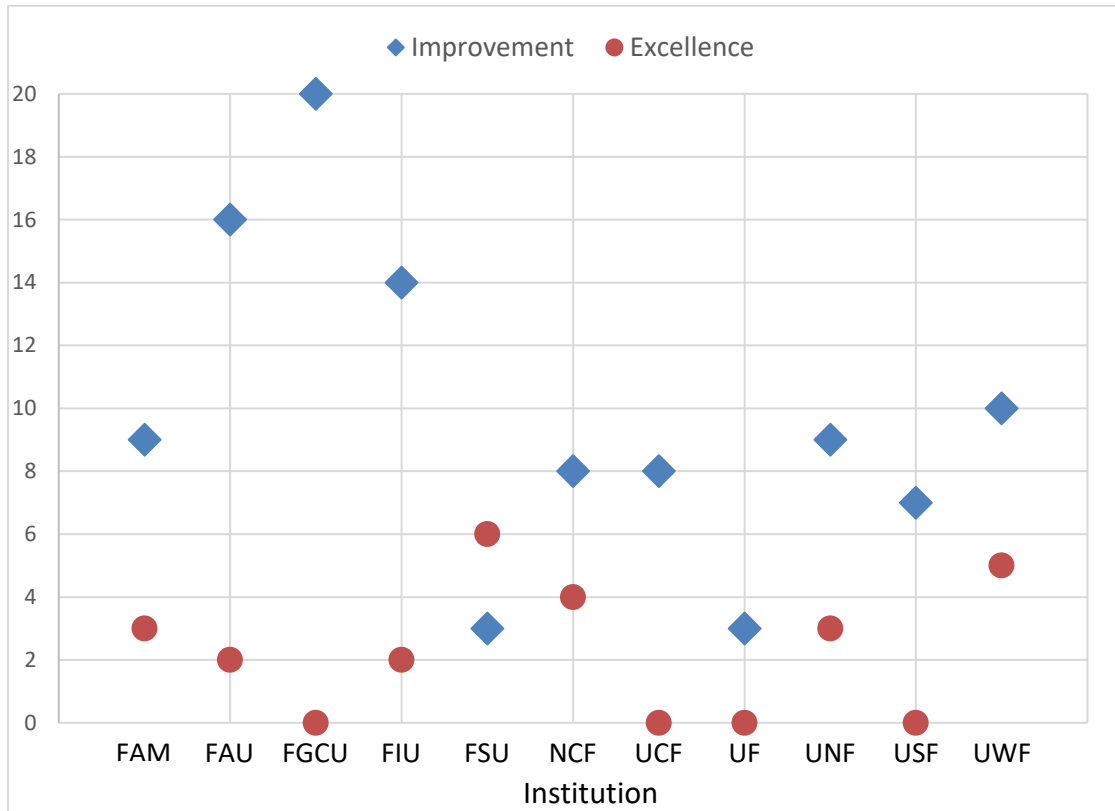


Figure 31. Metric 8 Points for Excellence, 2016-17 to 2019-20

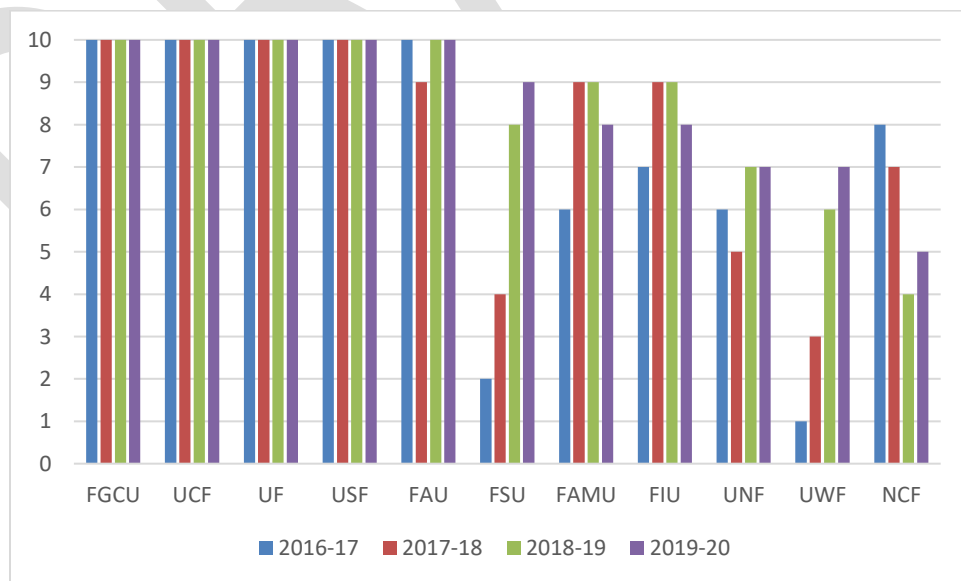


Figure 32. Metric 8 Points for Improvement, 2016-17 to 2019-20

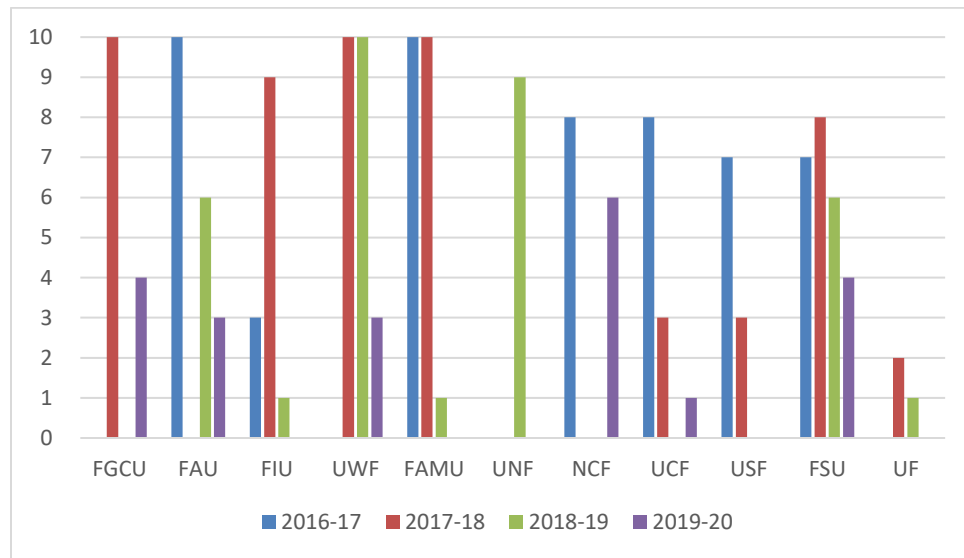


Figure 33. Source of Points Awarded for Metric 8, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
FGCU	E	B	E	E
FAU	B	E	E	E
FIU	E	B	E	E
UWF	E	I	I	E
FAMU	I	I	E	E
UNF	E	E	I	E
NCF	B	E	E	I
UCF	E	E	E	E
USF	E	E	E	E
FSU	I	I	E	E
UF	E	E	E	E

Note: "I" means the PBF score for this metric was determined by the institution's improvement score; "E" means it was determined based on Excellence; and "B" means that the two scores were the same.

For both versions of this metric, alignment to statewide goals is imperfect. The NCF metric is purely an input metric that encourages it to compete against institutions, including other Florida SUS institutions, for highly-ranked students. Thus the metric rewards NCF for its pursuit of prestige even though it is likely that it needs any incentive anything beyond college rankings to do so. To the degree that it leads to unproductive competition, it actually may work against statewide goals by not directing resources at NCF to purposes better aligned with state goals, such as (for example) by creating degree-completion programs in organization and leadership that currently employed adults could use to forge a path into management positions.

The designation of areas of strategic emphasis creates widespread definitional challenges since the needs of the current and future economy can seldom be viewed with clarity. Nevertheless, the larger issue with this metric is the degree to which it relies on a proportion of degrees awarded, rather than simply a number of desired

degrees in specified areas. To the degree that the metric is really the operationalization of where the state wants its graduate programs to go in terms of programmatic emphasis, it is more appropriate to view the metric as steering institutional missions, rather than as a matter of performance.

i. Metric 9: Board of Governors Choice – Percent of Bachelor’s Degrees without Excess Hours

There have been multiple changes to this metric over the years. Only since 2018-19 was this metric consistently required of all institutions. Prior to that year, the ninth metric was selected at each institution’s discretion from a group of approved choices. For example, in 2017-18, institutions could select from:

- Percentage of Bachelor’s Degrees Awarded Without Excess Hours
- Faculty Awards
- National Ranking for Institutional and Program Achievements

This analysis will focus only on the first of these, which is now the required metric. The metric calculates the percent of bachelor’s degrees awarded with up to 110 percent of the Board-approved maximum semester credit hours required by a student’s program of study, subject to certain exclusions specified by the legislature.²⁰ The benchmarks for Excellence on this metric are provided by Table 21. (Prior years’ benchmarks for alternative metrics may be found at the SUS website.)

Table 21. Metric 9 Excellence Benchmarks

Points	10	9	8	7	6	5	4	3	2	1
Benchmarks	80	77.5	75	72.5	70	67.5	65	62.5	30	57.5

Calculations of the excess credit hours metric is provided in Table 22. Empty cells correspond to years in which the given institution opted for an allowable alternative metric; data for those metrics may be found at the SUS website.)

²⁰ The methodology for this metric is detailed at https://www.flbog.edu/wp-content/uploads/PBF-EXCESS_HRS-Methodology_2016-04-28.pdf.

Table 22. Final Calculated Values for Metric 9, 2016-17 to 2019-20

Institution	Excellence				Improvement			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
FAMU	29.0%	28.3%	41.6%	51.4%	-5.0%	-0.7%	2.6%	9.8%
FAU	74.6%	73.2%	75.1%	77.1%	1.7%	-1.3%	1.8%	2.0%
FGCU	75.9%	75.6%	75.7%	76.1%	3.7%	-0.4%	0.1%	0.4%
FIU	68.9%	69.1%	72.2%	74.7%	1.3%	0.1%	3.1%	2.5%
FSU			81.7%	82.1%			3.0%	0.4%
NCF			82.7%	82.9%			0.5%	0.2%
UCF	69.2%	66.3%	76.4%	77.8%	2.3%	-2.9%	Ineligible	1.4%
UF			82.1%	83.6%			1.8%	1.5%
UNF	71.9%	71.7%	80.3%	83.1%	0.9%	-0.2%	Ineligible	2.8%
USF	65.8%	75.6%	78.3%	80.7%	1.9%	9.8%	2.7%	2.4%
UWF	75.8%	80.5%	80.2%	81.1%	3.0%	4.7%	-0.3%	0.9%

Note: UCF and UNF were ineligible for improvement points in 2018-19 due to changes in data collection.

This metric incentivizes institutions to speed student's progress toward a degree by honoring transfer credits as applicable to degree requirements, providing improved advising, and other efforts. It duplicates incentives that are embedded within the cost-to-degree metric (Metric 3), which punishes institutions for the additional costs students incur when they take excess credits in a 120-hour program. The difference is that this metric is much more straightforwardly designed for its purpose, while the third metric is nominally about costs and also includes incentives tied to how they award financial aid.

Throughout the metric's use, virtually all of the PBF points have been awarded for scoring well against the Excellence benchmarks (Figure 34). Only in one year did a single institution (USF) receive points for Improvement.²¹

Figure 34. Source of Points Awarded for Metric 9, 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20
FAMU	B	B	B	B
FAU	E	E	E	E
FGCU	E	E	E	E
FIU	E	E	B	E
FSU			E	E
NCF			E	E
UCF	E	E	E	E
UF			E	E
UNF	E	E	E	E
USF	E	I	E	E

Note: "I" means the PBF score for this metric was determined by the institution's improvement score; "E" means it was determined based on Excellence; and "B" means that the two scores were the same.

²¹ Neither UCF nor UNF were eligible for Improvement points in 2017-18 due to changes they were making to their data collections.

j. Metric 10: Board of Trustees Choice

The tenth metric in Florida's model is left to each individual institution to specify. In 2018, the 11 SUS institutions used their discretion to select nine different metrics among them. Only one—the number of bachelor's degrees awarded to minorities—was chosen by more than one institution.²² This discretionary metric is the most obvious way that the BOG has created flexibility for the model to reflect meaningful differences in mission. But the lack of consistency in the metric makes it difficult to evaluate. Moreover, the complete freedom that institutions have in selecting the metric can limit its usefulness as an incentive designed to achieve state goals. Finally, institutions are likely to take care that they select a metric on which they can be reasonably assured of achieving the necessary benchmark for the full 10 points. Not surprisingly, all 11 institutions received 10 points for Excellence in 2019-20.

A closer look at recent institutional performance, however, does raise concerns about its adequacy in driving continuous improvement. In 2019-20, even as the institutions were all receiving full points for achieving excellence for their chosen metric, their improvement scores were mostly low: six of the institutions saw improvement from the prior year worth 2 points or less. One of those institutions—NCF—opts for a metric on which it reports a score of 100 percent, which obviously cannot be improved upon. Notwithstanding these peculiarities, there may be good reasons to permit institutional discretion in the selection of at least one metric in a performance-funding model. But there is little likelihood that the resulting selections will drive continuous improvement, especially in light of the challenges already outlined concerning the volatility of the Improvement scale.

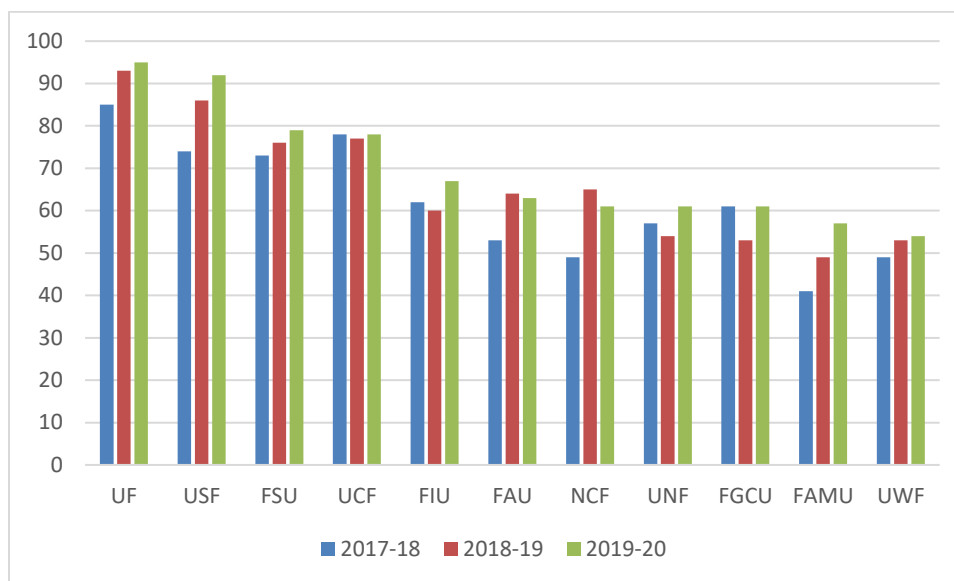
k. Summary of Metrics and Scoring

The foregoing review of each of the metrics yields the following observations:

- PBF points are usually awarded based on institutions' Excellence scores for most of the metrics; at no point since 2017-18 have points been awarded exclusively for Improvement for Metric 7 (University Access Rate) and Metric 10 (the institutionally selected metric).
- Excellence scores are relatively stable. Figure 35 shows the points earned through Excellence alone between 2017-18 and 2019-20, ordered by the institution with the most such points in the most recent year. While most institutions have seen their total points awarded through Excellence rise, there is only limited movement within institutional rankings year after year, and the total number of points awarded is relatively stable.

²² FAU, FGCU, and FIU opted for this metric. But even among them, FGCU used the count of the degrees awarded, while the other two institutions expressed it as a percent of degrees awarded.

Figure 35. Total Points for Excellence Only, 2017-18 to 2019-20



- Only for a few metrics are Improvement scores commonly awarded. Among them are Metric 4 (Graduation Rate), Metric 5 (Academic Progress Rate), and—less often—Metric 3 (Average Cost to the Student). Consequently, these metrics are the ones that most consistently lead to variation in PBF scores across institutions, their relative rankings, and ultimately PBF funding allocations.
- Excellence scores on the student success metrics (#4 and #5) are extremely low for institutions that are the least well-resourced and serve the widest diversity of students (in terms of race/ethnicity, age, attendance status, and income levels).
- In part due to their low performance on these metrics, such institutions are the most heavily dependent on points earned through Improvement. Figure 36 shows that UWF, FAU, FAMU, FIU, FGCU, and NCF each earned at least 40 points through Improvement since 2017-18, while UCF, UF, and USF each only gathered 10 points from Improvement in the same timeframe.²³

²³ Since institutions may be improving without being awarded Improvement points when they instead receive points for Excellence, the figure below shows the number of Improvement points each institution would have been “eligible” for in the absence of Excellence points. It generally reinforces the observation above that the same subset of institutions are disproportionately dependent on Improvement points.

Figure 36. Total Points Awarded for Improvement, 2017-18 through 2019-20

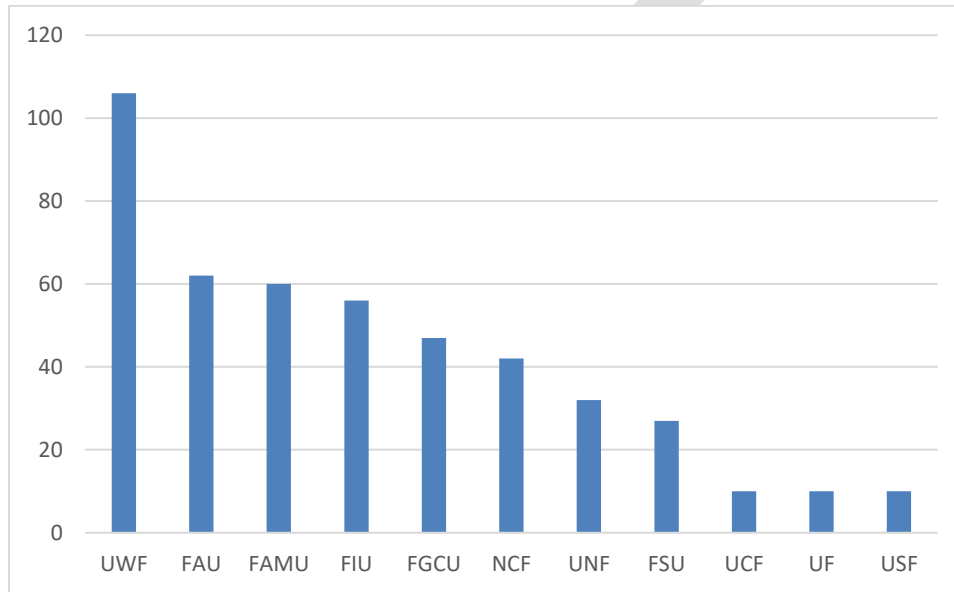


Figure 37 illustrates how crucial Improvement points were in relation to Excellence points for each institution in 2019-20. As usual, UF received the most points altogether, none of which came from Improvement (which was also true for USF). Meanwhile, UWF received the second-most points, 54 of which were for Excellence and 40 were for Improvement. Without Improvement points, UWF would have ranked lowest among all institutions.

"Eligible" Improvement Points, 2017-18 through 2019-20

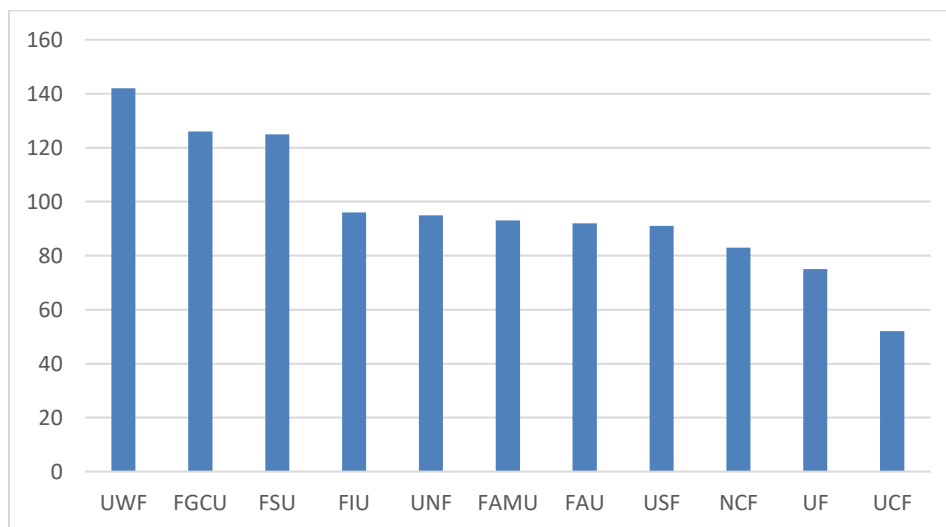
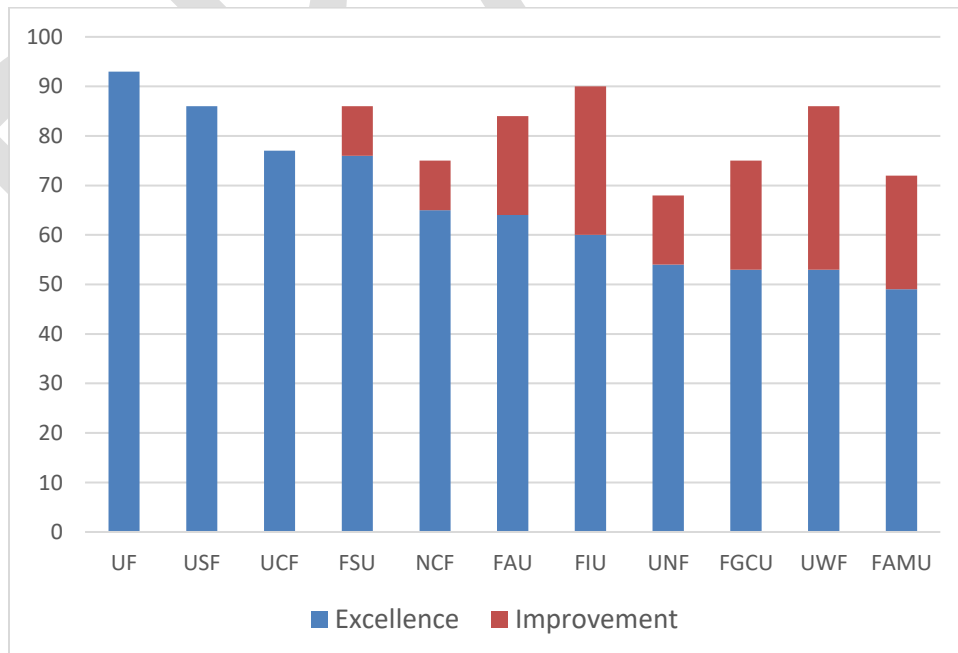


Figure 37. Points Awarded Through Excellence and Improvement, 2019-20



This pattern, in which Improvement points allow institutions to leapfrog their peers in the rankings in a single year, was even more apparent in 2018-19 (**Error! Reference source not found.**).

Figure 38. Points Awarded Through Excellence and Improvement, 2018-19



- Volatility in the improvement scores from one year to the next is common among some institutions (and rare among others), and these are generally the same institutions that are more reliant on acquiring points through Improvement. Such volatility creates unpredictability in expected funding levels and makes institutions reluctant to make investments in support services that would lead to improved performance.
- Metric definitions are subject to regular adjustment and even wholesale changes—sometimes at the behest of the legislature. While it is sensible for the Chancellor's Office to manage an improvement process in order to improve the calculation of metrics and the use of the best available data, major changes in the metrics make it a challenge for institutions to maintain focus on interventions and investments that respond to changing metrics and corresponding incentives. Institutions with greater resources are more likely to be able to adjust rapidly to changes.

Overall, the PBF model has been the policy of the SUS during a period in which Excellence scores have generally been climbing. However, the Excellence scale is clearly the primary means by which institutions earn PBF points, a condition that is reinforced by the year-to-year volatility of the Improvement scoring. Moreover, the Improvement benchmarks require substantial progress in a single year and are also uniform across all metrics regardless of the relative difficulty for making progress on a metric. These characteristics effectively limit the degree to which institutions are likely to be motivated to improve; in the main, it will be those institutions, who are not as competitive against the Excellence scales, that by necessity strive to obtain Improvement points. **Such features of the PBF model give a clear advantage to the institutions that are more selective and well-resourced.**

The metrics' near complete reliance on rates, rather than counts, is also a major characteristic of Florida's PBF model. This feature has potential for significant unintended consequences by giving institutions both a numerator and a denominator to work on, in an effort to perform against the PBF benchmarks.

5. Analysis of interviews

As previously described, NCHEMS conducted numerous interviews with current and former officials involved in creating the PBF model, currently operating it, or leading institutions subject to it. Our conversations with these individuals revealed that the PBF model had introduced new ways of doing business in the state institutions, but that its operation did not come without challenges. Since we pledged not to attribute statements to specific individuals, the following is a summary of the themes that emerged from our conversations.

- Keen desire to stimulate continuous improvement.** A major intention of the PBF policy is to create incentives that spur institutions to show improvement. This was as true in how individuals present at the outset of the policy described the original intent as it is currently. And while the desire to see improvement was most concentrated on low graduation rates and other metrics at some of the institutions, officials informed us

that they expected PBF to drive a culture of continuous improvement at all institutions in the system.

- b. **A shift in organizational culture to focus more heavily on data and on student success.** Interviewees described PBF as having played a significant role in shifting culture on campuses. Institutional leaders reported far greater use of data to inform decisions and practices than had previously been the case. The model also has helped convey a clearer sense of priorities to institutions and within campuses. Both of these results have led to policies and practices that are aimed at improving institutional scores. Some interviewees reported significant challenges in acclimating to PBF-related changes among institutional staff when PBF was first introduced and, to a lesser degree, whenever there are substantial changes in specific metric definitions. This kind of resistance has generally faded over time and as new leadership assumes the reins of institutions, although some metrics may continue to receive criticism for being counterproductive to some institutional missions.
- c. **Disconnect between state goals and institutional goals.** Collectively, the metrics and goals do not always add up to system-wide/statewide goals. This is particularly evident in the use of rates to measure performance rather than counts. For example, while the state goal is to produce more degrees, an institution can score highly on the graduation rate metric (Metric 4) even if it produces fewer graduates. Moreover, rates require a denominator defined according to a cohort of students. That definition gives institutions, whose own goals are not always consistent with the state's, an opportunity to "game" the metric by adopting policies and practices that selectively exclude students (namely, those less likely to complete on time, which could affect their scores on other metrics) from the cohort. Florida defines the cohort in a way that excludes students who transfer in from other institutions. Its PBF policy is also dominated by metrics that do not reward institutions for serving students who attend part-time, many of whom will be adults that the state needs to serve for it to reach its goals and ensure economic prosperity. **Thus the use of rates fails to advance the state goals of boosting educational attainment.**
- d. **An emphasis on excellence and national reputation.** We heard from some interviewees that PBF has become an exemplar nationally for similar funding models in part for how it has helped spur Florida's flagship institutions into the upper tier of research universities in the nation. Other interviewees told us that was an explicit goal driving the adoption of the policy. Some argued that this focus on institutional prestige was at least partially at odds with service to the state as the chief priority of the PBF model. The concentration on status-seeking for the most selective institutions helped lead to a focus on defining metrics based on rates, on-time graduation, etc., as opposed to counts of degrees that will directly increase the state attainment levels. **This focus has skewed PBF to favor the research universities.** While the scope of our interviews was narrowly focused on the PBF policy, it is notable that none of our informants connected these observations to the existence of the preeminent funding policy, which

explicitly serves a similar purpose by providing substantial additional state funding to the same institutions.

- e. **Elimination of the Bottom 3 rule.** Interviewees generally supported the decision to do away the Bottom 3 rule. While some believed that the intent behind the rule—to ensure that institutional funding was at least partially at risk—was a sound one, there was a broad consensus that the rule as enacted was overly punitive. Too often it was the same institutions that lost funding, those that were most commonly affected were the institutions where improvements were most needed. Some interviewees argued that these institutions were actually showing signs of improvement, even improvement that was consistent over time. But since that improvement was not sufficiently broadly based across all metrics, or significant enough to reach the benchmarks for improvement that yielded high enough scores, it was not enough to keep them from languishing among the lower ranks of SUS institutions. The resulting loss of funding only exacerbated their ability to address their low marks, or even to accelerate any improvements they were able to show.
- f. **Inconstancy in metrics over time.** Several interviewees argued that the tendency for the legislature or SUS to tinker with the metrics creates moving targets that make it difficult to plan or allocate resources. Another challenge is that any interventions an institution may implement to impact its performance on a given metric will only rarely have an immediate effect. Metrics such as Graduation Rate metric and the Net Cost to the Student metric were mentioned as having been subject to recent conceptual changes, and rumors were widespread that a substantial shift may be coming to the University Access Rate metric. These interviewees suggested that the state adopt a requirement that changes to any metric be given sufficient time to evaluate impacts before further changes are contemplated.
- g. **Volatility in the Improvement measure.** Several interviewees raised concerns with the way the PBF was designed to reward improvement, echoing NCHEMS' own observations that institutional scores based on the Improvement scale were subject to large swings from year to year. This volatility in the scores meant that institutions were unable to rely on the additional resources they obtained through improvement scores in subsequent years. Interviewees reported that this unpredictability made them unwilling to risk capitalizing on a single year of improvement by making permanent investments in successful initiatives. Rather than hiring staff to continue and expand successful efforts, they tended to focus on consultants and other resources that could be turned off relatively easily when the institution could no longer sustain the rates of improvement that produced the added revenue in the first place. Especially large improvements in a single year only made this dilemma more obvious. The volatility of the Improvement measure seriously weakens its ability to incentivize sustained improvement.
- h. **Inadequate sensitivity to mission differentiation.** Apart from the tenth metric that is up to each institution's discretion, the PBF model treats all institutions uniformly, with ninety percent of the points being weighted equally. This means the SUS's PBF system is

effectively a one-size fits all approach to the metrics, which prevents “tuning” them to better account for meaningful differences in mission. This observation was made by nearly all interviewees, some of whom raised a number of specific examples concerning ways in which the model failed to adequately account for important variation in the types of students being served by different institutions, including:

- None of the metrics explicitly accounted for students who enter as transfer students, which means that not all institutional success is being rewarded. (This is also an issue traced to rates, rather than counts, because counts are not dependent on the creation of a cohort to serve as a denominator.)
- There were two concerns addressed related to the University Access metric (Metric 7). First was that some interviewees were not in favor of changes proposed for the metric to count completions of Pell recipients rather than enrollments. These individuals objected to this possible change on grounds related to mission differentiation, because they viewed the metric as the only one that really credits the less-selective institutions that serve comparatively large populations of low-income students and underrepresented populations for doing so. They were not arguing that there should not be attention given to completions of low-income students, but they did expect that such a change would further advantage the wealthier, more selective institutions who have much greater capacity to support their comparatively fewer Pell students through to completion than do the institutions that serve a much higher share of such students. They also argued that it would reduce or eliminate the incentive the metric provides to reach out and enroll low-income students, who research shows to be less likely to complete degrees. A second source of pushback concerning the Access metric related to its treatment as a “floor” in the PBF model. As the only metric scored this way, some interviewees argued that the incentive to target low-income students for recruitment is relatively weak. They also pointed out that those institutions with especially high proportions of Pell recipients were unable to achieve much separation in the scoring of this metric from the institutions with lower proportions of Pell students. Thus the approach to scoring this metric reduces its effectiveness in promoting better outreach and service to these populations.
- Some metrics may suffer from implicit bias in ways that affect institutions differently. For example, the scores for metrics for employment rates and wages may be partially a function of large programs leading to less well-compensated jobs (e.g., teaching versus engineering). Or variation in those metrics may grow out of a disproportionate share of women or graduates of color who tend to experience reduced wages generally.
- Finally, interviewees generally viewed the current metric related to out-of-pocket costs to students as an improvement over the previous definition. But they noted that it has two distinctly different impacts and sets of incentives related to the type of students that different institutions serve. That is, institutions can score highly on this metric for enrolling Pell recipients or Bright Futures recipients in large numbers.

- i. **PBF allocations lag performance.** Interviewees described challenges related to the lag between when data are collected, metrics produced, and funding appropriated, which can span multiple academic years. That is, institutions typically receive PBF funding allocations based on metrics applicable to their performance in the academic year two years previous (e.g., funding levels for 2020-21 will be based on performance in 2018-19). This creates challenges for institutional trustees who want to set goals for institutional performance against PBF benchmarks and to hold their presidents accountable.

6. Analysis of metrics against good practices in OBF

The report *Outcomes-Based Funding: Taking Stock* provides principles of good practice in the design of performance-based funding models. These principles offer a reasonable set of benchmarks in summarizing the design concepts behind Florida SUS's PBF model. It is reassuring that some of the PBF model's guiding principles, as expressed by the Chancellor's Office, mimic some of the most important of these.

- a. **Agreement on statewide goals.** In recognition that the resource allocation model is the means to a set of ends, not the ends themselves, a high-quality PBF model will begin with a set of clearly articulated statewide goals that the model is trying to steer the institutions to achieve.

In Florida's case, the PBF model proceeds from a set of statewide goals and a system-wide strategic plan that carefully outline what the resource allocation model is intended to do. The State of Florida has set a goal that 55 percent of the population between 25 and 64 years of age will have a high-value postsecondary credential by 2025, with at least 44 percent of these being associate's degrees and higher. The SUS's strategic plan, approved by the Board of Governors in 2014 (and amended in 2016) has established targets focused on graduation rates; faster time-to-degree; the number of degrees awarded, overall and in specific areas of emphasis; enrollment of adults, underrepresented minorities, and low-income students; and other metrics related to prestige and recognition of institutional and faculty excellent and to research productivity.²⁴ Several of the PBF metrics and related Excellence benchmarks are directly tied to the targets as specified in the strategic plan. Thus, there is a close connection between the state and system-wide goals and the PBF model. One notable and important exception is that there is no PBF metric that directly relates to the SUS strategic targets for producing larger numbers of graduates, either overall or in specified fields, or its targets related to specific subpopulations.

- b. **Reflects and reinforces mission differentiation.** Well-designed PBF-type policies ensure that institutions are rewarded for effectively serving their own unique missions, rather than be penalized when they fail to measure up to a one-sized-fits-all standard.

²⁴ 2025 System Strategic Plan for the State University System of Florida, https://www.flbog.edu/wp-content/uploads/2025_System_Strategic_Plan_Amended_FINAL.pdf.

Florida's PBF model fails to adhere to this principle. While it does include a single metric that is left to the institutions to define for themselves, this only weakly addresses mission differentiation. Since institutions are unlikely to use their discretion to choose a metric on which they score poorly—putting their funding at greater risk—the result is that functionally all of the PBF funding is tied to a set of equally weighted metrics.

Additionally, equal weighting of all the metrics prevents the state from being able to “tune” the model to better account for meaningful mission differentiation. Differential weighting of the metrics would better achieve that aim by rewarding institutions for mission differences related to: the audience/students they serve, the array of programs they offer, and any special features (e.g., land-grant or HBCU status) that are core to their institutional character. Weighting can also deal with the reality that the measurement of desirable performance outcomes may vary in quality and coverage of data for different institutions. In particular, the use of FTIC status in setting the cohort more comprehensively covers the population of students at more elite institutions than others.

Finally, while the fundamental concept behind the Improvement scale is to offer institutions an incentive to boost their performance on the PBF metrics and is not intentionally related to institutional missions, it also serves as one important way the model does make room to address mission differentiation. That is because Improvement allows institutions that are unlikely to keep pace on the Excellence scale, due to differences in the characteristics of students they serve, to nevertheless acquire enough points to garner resources through the PBF model. In reality, however, the benchmarks for Improvement require unsustainably high levels of improvement on key metrics. While institutions are able to periodically achieve them, there is little chance they can maintain the required pace of improvement on an annual basis. Consequently, the Improvement scale as operated does not adequately address the principle of promoting mission differentiation.

- c. **Provisions that reward success in serving underrepresented populations.** Good practice in PBF models provides clear incentives that reward success for serving underrepresented populations, especially low-income students, adults, minorities, or those who are academically at-risk. None of the currently required PBF metrics include any such provisions related to student success, although the model does include a single required metric that is aimed at enrolling underrepresented populations—the University Access Metric (Metric 7). Potential adjustments to this metric to turn it into one that rewards completions of low-income students, not just their enrollment, were rumored to be under consideration during our interviews with stakeholders. A serious danger is for the metric to be adjusted in ways that further confer advantages upon the wealthier institutions for their success with the relatively few (at least proportionally) low-income students they enroll. Low-income students who are comparatively well prepared academically and who benefit from the greater institutional aid and student services supports available at better resourced institutions are likelier to graduate at higher rates. Good practice in PBF funding would suggest that the most effective

approach would be to embed bonus points for such populations in multiple metrics, rather than effectively duplicating a single existing metric for a specific target population. Such a metric would also straightforwardly reward institutions that are able to increase the number of underrepresented students they are able to graduate.

- d. **Provisions that reward progress and completion.** While Florida's PBF model includes metrics related to progress and completion, they are consistently expressed as rates rather than numbers. This is a fundamental design flaw. Both of the key measures of progress (Metric 5) and completion (Metric 4) rely on the definition of a cohort that leaves out key groups of students. Good practice in setting a metric for students' progress toward a degree would be to reward institutions for students' credit accumulation (15, 30, 45 credits) because it better accounts for all students enrolled, not just first-time students who enroll full-time in the fall semester, and measures actual progress, not just enrollment status.

Both the progress and the degree completion metrics should be based on counts of students who achieve the specified milestones, rather than rates which require a cohort definition that inevitably leaves out students. Rates also fail to align with state goals for degree production and educational attainment, since institutions can simultaneously show improvement in rates even as the number of students making progress toward a degree and completing declines. Furthermore, the use of rates means that the metrics only reward institutions for conferring degrees on a pre-selected group of students educated in the most conventional way possible—at a single institution over a course of full-time, uninterrupted study. Using counts of student progress and degrees gives institutions license to innovate, adopt unconventional approaches to academic terms, and reduce barriers to student progress based on prior transcribed credit or assessed learning and competencies.

- e. **Limit the categories of outcomes to be rewarded.** Florida's PBF model includes 10 metrics, a number that is on the outer range of what would be recognized as good practice. With multiple metrics creating overlapping incentives in ways that have evolved, Florida has room to better differentiate categories. Most significantly is the overlap related to Metric 3 and Metric 9 related to students' accumulation of excess credit hours. Reducing excess credit hours is the specific intent of Metric 9. But the calculation methodology for Metric 3, which nominally addresses student costs, effectively rewards institutions for the same thing. This is especially true for institutions that lack substantial institutional aid budgets, since their greatest leverage to reduce student costs may be to limit excess credits earned by their graduates.
- f. **Use metrics that are unambiguous and difficult to game.** As described above, the PBF model's consistent use of rates introduces ambiguity into the model in ways that do not match state goals. Most worrying is the possibility that the rates can be manipulated by reducing the denominator. Institutions may do so by adopting policies that affect which students are more or less likely to be included in the cohorts used in the metrics, generally in order to reduce the presence in the cohort of those assessed to have greater

risk of dropping out. The Chancellor's Office has gone to great lengths to develop clear methods for the PBF metrics that attempt to reduce this potential defect. But the resulting methods are complex, constrained by the availability and quality of data, and regularly require tweaks. Even in the absence of any gaming behavior by the institutions, the PBF metrics rely on cohort definitions that confer advantages on some institutions relative to others.

- g. **Avoid rewarding institutions for reaching a fixed goal.** Good practice in performance funding does not let institutions off the hook once they reach some defined threshold of performance; rather, they seek to promote continuous improvement. The most obvious way that Florida's PBF model tries to adhere to that principle is through the inclusion of the Improvement score as a way for institutions to acquire points toward funding. But the reality is more complicated. As described above, the Improvement scale suffers from numerous flaws which limit its effectiveness, including:

- A scale that is not fitted to the individual metrics, making some levels of improvement so high that they are effectively impossible to achieve or to sustain for some institutions. For example, a five percent improvement in the University Access Rate is extremely unlikely and has yet to be recorded by any institution. For other metrics such a high level of improvement in a single year for most metrics is unlikely to be maintained in a subsequent year.
- High-performing institutions are unlikely to be motivated by the Improvement scoring, in part due to the substantial and unlikely increases required for Improvement scores to exceed Excellence scores for those institutions. They may continue to improve anyway, but they generally are not getting points as a result.

Instead of being motivated by the model to continuously improve, Florida's PBF model primarily rewards institutions for Excellence. Excellence points are more stable and predictable, and performance sufficient to acquire the most points through Excellence is seldom simultaneously compatible with high Improvement scores. Institutions are rewarded for Improvement most commonly when their performance on the metric falls well short of the Excellence benchmarks.

- h. **Address quality.** Florida's PBF model does not have any explicit metrics related to quality. However, if one considers employment outcomes to be partial proxies for quality, since graduates who are not well prepared for the world of work will not successfully find well-paying jobs, then the model is also not completely inattentive to quality.

7. PBF in Context—Defining a Fiscal Foundation for Effective PBF Policy

Performance-based funding mechanisms exist within a larger context for finance policy, and are best viewed and evaluated based on that reality. First and foremost is that state appropriations account for just one of the two major sources of discretionary revenue available to public institutions, no matter what funding strategy is used to allocate those dollars. The other major source is tuition revenue—which in this description includes

financial aid dollars that students bring with them to pay the costs of college. Tuition revenue provides a major incentive for institutions to compete for students. The degree to which policies that allocate state appropriations to institutions are able to influence those institutions is directly related to the proportion of revenue that those appropriations represent in comparison to tuition revenue.

Notwithstanding that reality, the policies that determine institutional appropriations levels and the specific allocation mechanisms are best equipped to serve state needs when considerations of institutional mission and institutional equity are well matched. Equity in this instance concerns the degree to which institutions in a state can rely on an equivalently adequate fiscal foundation of state support that is sensitive to the specific missions they serve. Such a foundation is a minimum level of support far short of the total funding an institution would require to actually fulfill its mission. Rather, the concept reflects the reality that there are real and different costs related to important differences in mission that can affect institutions' ability to be competitive in a performance-funding model such as Florida's, which awards (or denies) funds on the basis of how well they score relative to other institutions' scores or to a specified minimum threshold. Major considerations for providing the appropriate-sized foundation of funding for institutions would include:

- **Program mix.** This component would recognize that some academic programs are more expensive to offer than are others, either due to the level (bachelor's degrees versus Ph.D. programs) or to disciplinary differences that relate to the need for equipment, costlier faculty, and related considerations.
- **Characteristics of student served.** This component acknowledges that the costs for serving students effectively are not uniform based on key characteristics such as: socio-economic status, age, race/ethnicity, residency (in- or out-of-state), academic preparation, graduate versus undergraduate.
- **Size and history.** This component reflects the reality that there are a minimum set of fixed costs related to "opening the doors" of an institution, regardless of its size. All institutions require a minimum level of administrative staff and faculty and have basic costs for facilities operations. Smaller institutions are less able to take advantage of scale economies, while older institutions may have a more significant backlog of deferred maintenance.
- **Special roles, e.g., land-grant status.** Some special statuses incur added costs. When they do, as with extension services, they should be recognized in the funding approach by taking money off the top before the base statewide appropriation is distributed.

For example, lessons learned from implementation of the widely acclaimed PBF model in Tennessee indicate the importance of:

- Having base funding in order. Before PBF, Tennessee had an allocation model designed to ensure equitable distribution of whatever resource were available.
- Weighting metrics differently for institutions with different missions—and doing so in a way that did not create large funding redistributions at the time of implementation.
- Maintaining a mechanism for dealing with quality, the analog to Excellence in the Florida model.

The essential point of this discussion is that an institution's ability to perform against student success metrics in a performance-based funding model will vary in relation to the degree that it can invest resources in interventions tied to those metrics. If an institution faces disproportionately high costs of simply operating the campus, and if it has less access to alternative revenue sources (non-resident students, philanthropy) that can help offset those costs or provide fiscal support targeted to specific strategies, then it will be at a disadvantage in achieving the goals of the performance-based funding model, relative to other institutions.

8. Conclusions

The PBF model in effect at the SUS is quite obviously having an effect on institutional policies and practices, and it has been especially effective at injecting much-needed data-informed analysis into the decisions that individual institutions make, as well as in driving changes that have put student success more squarely at the forefront of institutional culture. The results have led to rising values in the metrics that are measured over time.

Nevertheless, NCHEMS' analysis raises important concerns that the model's design impedes progress toward the achievement of the statewide educational attainment goal and also fails to address inequity in educational opportunity. Collectively, these issues are rooted in incentives for improvement that lack potency and in how the PBF model tends to favor institutions that are well-resourced and serve disproportionately well-prepared students with means, relative to other institutions in the system. These issues are tied to the following major sources.

- The model relies on rates rather than counts for key metrics most closely associated with the state goal, e.g., graduation rates vs. counts of graduates. That limits the effectiveness of the metric in helping press institutions to make better progress toward reaching the state goal. But it also requires the creation of cohorts that make up the denominator, which complicates the metric, gives institutions a way to adjust that is not necessarily related to increasing the number of graduates, and also yields a cohort that reinforces the advantages that some institutions have relative to others described above.
- The metrics sometimes provide overlapping/reinforcing incentives that tend to advantage some institutions over others and are not sufficiently focused on serving populations in need (e.g., the four-year graduation rate metric and the excess credits metric both favor institutions with students who enroll full-time and take a straightforward path through college; institutions that serve adults who are more likely to attend part-time are not rewarded).
- The model is a one-size-fits-all approach that fails to fully account for key differences in mission.
- The annual benchmarks for improvement are unsustainably high, and are meaningful primarily for the institutions that disproportionately serve an economically and racially diverse student body of a wide range of ages.

Furthermore, although the intent of the model is to promote continuous improvement at institutions, its incentives to drive improvement have limited potency in actual implementation. Most of the PBF money gets distributed based on Excellence scores, which

have proven to be fairly constant from year to year for most metrics. Meanwhile, Improvement scores have consistently been much more variable. Institutions rarely get rewarded for improving as long as they can perform strongly against the Excellence benchmark levels, so institutions that score well on Excellence have little incentive to show improvement, at least in order to garner funding through the PBF model. Meanwhile, those institutions that are unable to reach the higher Excellence benchmarks face serious challenges in trying to sustain the levels of Improvement required to ensure consistent funding through PBF.

Such challenges are further reinforced in the design and implementation of the PBF's funding allocation methodology. Changes adopted in 2019 to repeal the Bottom Three rule has led to a fairer system overall, by not routinely penalizing those institutions that disproportionately serve underrepresented and nontraditional student populations so heavily. But they have also further suppressed the potency of the incentives for improvement. Those changes left in place a process by which an institution falling short of a minimum PBF score (currently at 51 points) stands to lose funding from its base allocation if it is unable to make progress against a Board-approved improvement plan. Since no institutions have failed to achieve the minimum threshold for the last several years, there has been no money at risk.

The fact that this provision in the model has never been implemented notwithstanding, a question remains concerning the efficacy of including a punitive provision in the model. The intent is laudable—create conditions that spur all institutions to better performance. In reality, however, they serve to create funding uncertainty among the set of institutions for which certainty is most important. The institutions that consistently perform least well are the institutions that most need the ability to invest in staff and other categories of support mechanisms (emergency student aid, for example) if they are to improve their performance. The threat of losing part or all of their institutional investment creates an environment that fosters caution in making such investments. This feature of the model—now removed—worked against the stated intent of the policy.

The planned increase in 2021-22 in the minimum threshold for eligibility from 51 points to 70 points will reintroduce a real risk of funding losses for some institutions. Once again, uncertainty is increased for the very institutions for which funding certainty is most important. It would be better if the lower-performing institutions received their earned share of the state investment pool so that they could be assured that they could use these moneys to invest in support services that would lead to improved performance. Moreover, the new threshold, together with the need to avoid consecutive years of declines in PBF point totals, interacts with the volatility in the Improvement metric in ways that further complicate planning for institutions that rely on the Improvement scale for points.

As a side note, PBF was layered on top of an institutional funding model presumed to be equitable. This assumption may or may not be correct. Experience in other states is that base funding models tend to be skewed in favor of the more selective, elite institutions. If this pattern holds among the SUS institutions, it is even more important the PBF funding be allocated in ways that does not hinder the ability of the most disadvantaged institutions to

take steps designed to yield improved performance. To this end a formal assessment of the equity of base funding allocations would be warranted.

The existence of a separate pool of funding for elite SUS institutions that attain status as a “Preeminent” institution reinforces the advantages that those institutions have in the competition for state funding. Preeminent institutions are defined on the basis of 12 metrics, two of which are basically the same as those incorporated into the PBF model (e.g., graduation rates, student progress rates), along with other metrics that are focused on research productivity and performance against reputational rankings. Since the graduation rate and student progress rate metrics have some of the most substantial variation across institutions in Excellence scores, these metrics are quite influential in how PBF funding gets allocated. This effectively means that elite SUS institutions with “Preeminent” status are rewarded through multiple funding streams for the same thing—maintaining a high level of performance on student success measures—while the remaining SUS institutions can obtain performance funding only via the PBF model. In sum, for Florida’s postsecondary finance policy to be best aligned with strategic finance principles and with the state’s future needs, the PBF model would benefit from a number of important adjustments. Such changes should be made before the State of Florida requires additional Institutional Investment funds to be set aside for use under the PBF policy.

9. Recommendations

Based on the preceding analysis and conclusions, NCHEMS offers the following recommendations that would lead to a PBF model that is part of a broader strategic finance strategy aligned to the statewide goals and accounting for the meaningful differences in mission of SUS institutions.

Recommendation 1. Study the allocation of base funding to institutions. As a precursor to the adoption of a strategic finance policy that includes PBF, there should be a rigorous assessment of the degree to which SUS institutions have an equitable minimum foundation of institutional funding. If not, that assessment should identify the size of the adjustments that would be needed in order to provide that foundation, taking into consideration the institution’s array of programs (levels and disciplines, student characteristics (e.g., proportion of Pell Grant recipients, students with developmental education needs, etc.), and institutional size (is the institution so small as to not be able to realize economies of scale?), facilities conditions, and special role designations. This analysis should not ignore the presence and magnitude of the preeminent funding policy. This recommendation is made because even a sound PBF model that is built atop an unfair allocation of basic resources will not stand the test of time.

Recommendation 2. Better align the PBF model with the recently adopted state attainment goal by relying more heavily on counts rather than rates. This would entail replacing the definition of the metric in several cases, namely:

- Metric 4. Four-Year Graduation Rate
- Metric 5. Academic Progress Rate
- Metric 6. Bachelor’s Degrees Awarded in Areas of Strategic Emphasis

- Metric 8. Graduate Degrees Awarded in Areas of Strategic Emphasis (Note that this recommendation is not intended to apply to NCF's specific metric.)

For Metrics 4 and 5, this recommendation would also necessitate the elimination of a defined cohort, which currently is serving as the denominator for the metric, from which the numerator is drawn, in order to account for all students rather than a subset of them. Removing the denominator in Metrics 6 and 8 makes sense because institutions have limited ability to influence this metric on their own over a short time frame, and the inclusion of all of its degree programs that are in non-prioritized fields only exacerbates that problem while also being counterproductive from a student-centered perspective.

Changes as recommended would also require redefining the benchmarks for Excellence for these metrics. A way to do that would be to craft a set of benchmarks that award a pre-defined number of points to institutions that maintain the equivalent count of the students/graduates at the most recent year's level, and then specifying appropriate ranges in percentage terms that are higher and lower than that amount. This would have the salutary effect of reinforcing the value of making institutional improvements on measures closely linked to the state goals.

Recommendation 3. Create separate pools of funding for Excellence and Improvement. Institutions would gain access to the Excellence pool based on their accumulation of Excellence points across all metrics; the threshold should represent a high bar such that only a small number of SUS institutions should be eligible for this funding stream. Under the existing PBF model, if the threshold were 80 points, only four institutions (UF, FSU, USF, and UCF) would reach it and gain access to the pool. The remaining institutions, as well as those with access to the Excellence pool, would receive funds through the separate pool set aside for Improvement. Actual funding levels from both pools would be distributed on a pro-rata basis relative to each institution's PBF scores on the corresponding scale (Excellence or Improvement). For example, UF received 95 points for Excellence in 2019-20 out of a total of 358 Excellence points awarded to all SUS institutions that exceeded the 80-point threshold for access to the Excellence pool, or 26.5 percent of those points. UF would receive 26.5 percent of the available Excellence funds. UF also earned a total of 19 points for Improvement in 2019-20 out of a total of 369 Improvement points earned by all SUS institutions, which would entitle it to 5.1 percent of the funds available in the Improvement pool. Variations on this basic model would be possible in order to most appropriately tune it in ways that best ensure that improvement will be a major motivation for all institutions in the system.

This recommendation is designed primarily to elevate continuous improvement as the primary goal of the PBF model. The SUS already has a program in the "Preeminent" funding policy that rewards elite institutions for excellence, especially with respect to enrolling well-prepared students and graduating them at high rates. Separate pools can still serve to provide an incentive for institutions that are unable to access the full preeminence funding to seek Excellence points, while simultaneously adding much-needed potency in the PBF model for rewarding institutional improvement among all institutions. Bearing all of this in mind, NCHEMS recommends that the size of the respective Excellence and Improvement

pools substantially favors rewarding Improvement by splitting the available performance funding unevenly, with at least 75 percent of the funds allocated based on Improvement.

Furthermore, separating the pools is one way that the PBF model could directly address mission differentiation by rewarding institutions pursuing preeminence for their success in achieving Excellence, while rewarding other institutions for the achievement of goals more appropriate to their missions.

Recommendation 4. Better align funding to reward sustainable improvement. While the previous recommendation will help address the substantial bias toward elite institutions that are currently inherent in the model, further adjustments are needed in order to provide stronger incentives that reward continuous improvement. Adopting this recommendation has the following parts:

- A. Reduce volatility in the Improvement scores in order to promote more predictability and to boost the potency of the incentive to improve. This can be done by reducing the benchmark scores for Improvement from the current scale spanning 0-5 percent over a single year to a span that better and more realistically encourages continuous improvement.
- B. Measure improvement averaged over multiple years, at least for institutions with small enrollments, in order to limit the extent that a small change in the metric value causes a substantial but mostly spurious change in the rate of improvement. Such a change will also incentivize improvement strategies that are designed for a longer term.
- C. Impose a penalty in the scoring for institutions that score well on Excellence in spite of small declines in key metrics. One possibility would be to subtract a point for Excellence on each metric when the metric value decreases from one year to the next. Such a penalty would only matter if the lost points meant that an institution dropped below the threshold to obtain PBF funding through the Excellence pool. This adjustment would ensure that continuous improvement will remain a focus even for the elite institutions that currently have little PBF-inspired reason to show improvement.
- D. Resist the urge to routinely make changes to the metric definitions. The Chancellor's Office should continue to solicit and respond to feedback on the specific methodology behind the metrics, although significant changes should be limited to improving measurement across all institutions. Wholesale changes in the metrics driven primarily by policymakers, however, move the goalposts, which impacts are likely felt most severely by the less well-resourced institutions. Adjustments made in response to this review should be judiciously made and then left to bear fruit over a suitable amount of time. However improbable it may be in a political environment, the PBF model would ideally not be a major target of policymaker interest—and the need for constancy in the model is proportional to the amount of institutional funding support that is channeled through it.

Recommendation 5. Combine some metrics to simplify the model and make communication easier and the incentives clearer. Florida recognizes the value of keeping the number of metrics to a limited set, but there is still room for simplification and consolidation. Ideally, a performance-based funding model would focus metrics around the following key topic areas:

- Degree production/completion
- Student academic progress
- Affordability
- Employment outcomes
- Institutional productivity/efficiency

Florida's PBF model includes metrics that attempt to address each of these, except for a metric that captures institutional productivity/efficiency. However, NCHEMS recommends improvements to the model to simplify and better align the measures to state needs, as follows.

- Replace the current metric for graduation rates with counts of graduates (as discussed in the second recommendation). Such a change would better measure degree production in line with the state's goal and also better incentivize institutions to produce more graduates. To the degree that such a measure would also account for degree earners who were former transfer students and part-time enrollees, it also levels the playing field for all SUS institutions while giving them the flexibility to adopt innovative policies and practices that speed students' progress.
- Utilize a different measure of student progression, specifically count the number of students who cross a 30-credit-hour threshold and the number who cross a 60-credit-hour threshold. These metrics better address student progress than the current rates do because they are not dependent on the students being part of a defined cohort. Therefore, all student progress gets counted, whether a student enters the institution as a part-time student, or as a transfer student, etc. The institution is rewarded for helping any of its student cross these key thresholds, and no longer has any incentives to deploy resources to serve a subset of students who happen to have been included in the cohort.
- Add a metric to track institutional productivity, specifically a measure of (weighted) degrees per 100 FTE enrollments. Similar to the previous adjustment, this measure captures all degrees and all enrollments and encourages institutions to adopt innovative and student-focused policies and practices such as Prior Learning Assessments, transfers, etc.
- Give institutions credit proportional to the "dosage" they provided to students who transfer out and subsequently graduate from another SUS institution.
- Rather than maintain the University Access metric (#7) that rewards institutions for enrolling low-income students, reconsider the ban on using bonuses for success in serving targeted sub-populations, including low-income students, adults, racial/ethnic minorities (who are growing as a share of the state population and who must reach higher educational attainment rates if the state is to meet its goals), and students who are academically underprepared. A strategy of awarding bonuses would also be applicable to degrees in areas of strategic emphasis as a way for Florida to further simplify the model by avoiding the need for separate metrics.
- Consider a different metric for affordability. Notwithstanding the considerable work that went into the development of Metric 3, Net Cost to Students, the result is a complicated metric that substantially overlaps with the Metric 9, Percent of Bachelor's Degrees without Excess Hours, which is now required of all institutions. Florida's SUS institutions have limited authority over their own tuition prices, but substantial

discretion in how they spent their own institutional aid. An alternative metric tracking affordability that is better aligned to state needs would, at a minimum, focus more squarely on the low- to middle-income group of enrolled students, in order to incentivize institutions to focus their own affordability strategies on those students most likely to respond to aid. The metric should also not be limited to graduates, since some of the gravest and longest-term affordability challenges face students who failed to complete. Such a metric would effectively complement the Excess Hours metric that ensures institutions have incentives to speed students along their path to a degree in order to help them avoid unnecessary costs.

Recommendation 6. Adopt a weighting scheme for metrics, both across metrics and institutions. Such a scheme would correspond to the role and mission of each institution, as well as the priority areas for improvement identified for each institution. For example, if the University of Florida's student population and graduating class is least representative of the state population among SUS institutions, the PBF weights might be tweaked to give further incentive for UF to increase service to underrepresented populations.

Since its adoption, Florida's PBF policy has helped elevate many of the SUS member institutions to greater prominence, as well as earning accolades for the system as a whole. However, this review has found room for improvement in the model and its metrics that will set it up for further success in achieving the state's educational attainment goals and more comprehensively serving the postsecondary educational needs of all Floridians.