

Kansas Board of Regents

# Performance Agreements: Funding Guidelines

Approved April 20, 2011

## **Introduction**

In 1999, the Kansas legislature adopted K.A.R. 74-3202d, which established improvement plans for public higher education institutions in Kansas and tied the awarding of new state funds to these improvement plans. These plans are commonly known as performance agreements.

The Board of Regents is responsible for reviewing and approving performance agreements and for providing technical assistance to institutions as they develop, implement and revise their performance agreements. With the approval of the Board's strategic plan, Foresight 2020, it is expected that each institution's performance agreements will reflect the goals of that plan in ways appropriate to the institution's characteristics and mission.

The Board is also responsible for determining the amount of new state funds awarded. The awarding of new state funds is based on an institution's level of compliance with its performance agreement and the funds available for distribution.

## **Establishing an Improvement Plan**

Once every three years, institutions negotiate a new performance agreement with the Board, which covers three calendar years. The agreement supports Foresight 2020, which consists of following six strategic goals:

1. Achieve alignment between the state's preK-12 and higher education systems and continue to enhance alignment between higher education institutions.
2. Achieve participation in the state's higher education system that better reflects the state's demography and more fully engages adult learners.
3. Achieve measureable improvement in persistence (retention) and completion (graduation) rates for higher education institutions across the state.
4. Ensure that students earning credentials and degrees across the higher education system possess the foundational skills essential for success in work and in life.
5. Enhance alignment between the work of the state's higher education system and the needs of the Kansas economy.
6. Enhance the regional and national reputation of Kansas universities through aspirational initiatives.

As part of its performance agreement, the Board requires each institution to propose at least three institutional goals that support Foresight 2020 and are consistent with the institution's mission. The Board requires that one goal support strategic goal four, which focuses on learner outcomes. The remaining two goals are selected from strategic goals one through three, five and six.

An institution may propose up to two additional institutional goals. The goals may be unrelated to Foresight 2020. If they are unrelated to Foresight 2020, they cannot conflict with or detract from Foresight 2020 and must be consistent with the institution's mission.

For each institutional goal, the Board requires institutions to propose at least three but no more than five specific measures of performance, known as indicators. For each indicator, the institution shall provide baseline values and targets for the next three years.

## **Annual Evaluation of Compliance and Funding**

Each institution annually submits a performance report that updates the Board on an institution's progress toward meeting the indicators under each goal and provides the Board a basis for awarding new funding.

Awarding of new funding is based on the degree to which an institution demonstrates continuous directional improvement in a majority (more than 50%) of the goals. Continuous directional improvement is defined as improvement over baseline values for a majority of indicators during the first reporting year. For reporting years two and three, continuous directional improvement is defined as improvement from year to year for a majority of the indicators.

The Board annually awards new funds based on the following levels of compliance:

- 100% of New Funding

The Board has determined that the institution's performance report demonstrates achievement of continuous directional improvement in a majority of institutional goals in a manner consistent with the indicators and targets the Board approved.

- 80% or 60% of New Funding
  - Institutions will generally be awarded 80% of the new funding for which they are eligible if:
    1. The institution has made a good faith effort to meet the institutional goals;
    2. This effort has resulted in continuous directional improvement in less than a majority of institutional goals; and
    3. The performance report includes specific plans for improving performance.
  - Institutions will be awarded 60% of the new funding for which they are eligible if:
    1. Continuous directional improvement was demonstrated in no more than one goal; and
    2. The performance report was confusing and/or difficult to understand, but not to the extent to warrant compliance level 0.

- 0% New Funding

No new funding is awarded. The institution has failed to make a good faith effort and either:

1. Lacked an approved performance agreement;
2. Failed to make continuous directional improvement in the majority of goals and failed to provide reasonable explanation or plans for improvement;
3. Submitted a performance report that was not understandable; or
4. Failed to submit a performance report.

In cases in which the institution demonstrates continuous directional improvement in exactly 50% of goals, the Board may consider the following factors to determine whether to award 80% or 100% of new funding:

- Number of quality of goals
- Number and quality of indicators
- Scope of the performance agreement and the amount of effort involved
- Any extenuating circumstances not under the control of the institution

Since compliance is evaluated annually, levels of funding are determined on an annual basis. Funding levels awarded in one reporting year do not affect funding levels in subsequent years. For each reporting year, an institution may be awarded 100%, 80%, 60%, or 0% of new funding, based on its compliance with the performance agreement.

## **New State Funds**

Pursuant to K.S.A. 74-3202d, each public postsecondary educational institution's receipt of new state funds shall be contingent upon achieving compliance with its performance agreement, as determined by the Kansas Board of Regents. This provision will apply to all new state funds received by (1) state universities for operating grant increases; (2) community colleges and technical colleges for tiered technical state aid and non-tiered course state aid increases; (3) technical schools and colleges for postsecondary aid increases; (4) Washburn university for operating grant increase; and (5) any postsecondary institution for other state funding increases, such as capital outlay aid, or technology grant funding. This provision will also apply to any new state funds received by any postsecondary institution under the original 1999 Senate Bill 345 provisions for 2% performance grant funding, codified in K.S.A. 71-260, 72-4480, 72-6503 and 76-771 which continue in force.

Pursuant to K.S.A. 74-3202d, the Board of Regents will determine the amount of new state funds to be received by each institution, taking into account the institution's level of compliance with its performance agreement and the funds available for distribution. New state funds will equal the amounts of additional state funding appropriated for the fiscal year in excess of state funding appropriated for the previous fiscal year. The Board will determine the amount of new state funds each institution is eligible to receive if the institution is determined to be in full compliance with its performance agreement. If the Board determines that an institution is not in full compliance with its performance agreement, the Board may allocate to the institution none or a portion of the new state funds for which the institution would otherwise be eligible. Any portion not allocated to an institution in the fiscal year shall not be reallocated to any other institution. Any portion not allocated to an institution will be deemed to be part of the institution's base budget for the purpose of determining the following fiscal year's allocation. This provision precludes an institution from

permanently losing state funding due to noncompliance with its performance agreement. The intended effect of this provision is that such loss of funds would be only for one fiscal year.

Pursuant to K.S.A. 74-3202d, any funds designated by the Legislature for a specific institution or purpose shall be exempted from these provisions related to performance funding.

### **Request for Changes**

An institution may request changes to its approved Performance Agreement. Requested changes must be the result of circumstances beyond an institution's control and supported by a strong rationale. The Board Academic Affairs Standing Committee acts upon requested changes on behalf of the Board.

### **Alignment with Foresight 2020**

Foresight 2020 is Board's strategic plan for the System and provides the foundation for each institution's performance agreement. The Board will receive regular updates on progress toward meeting the goals of the Board's strategic plan.

## Performance Agreement Statute

**Statute 74-3202d: Same; performance indicators, review; core indicators of quality performance; selection of determinants for state moneys; institutional improvement plans; performance agreements; new state funds, requirements for receipt.** (a) During the 2000 fiscal year, the state board of regents (1) shall review the performance indicators developed by the postsecondary educational institutions, including the municipal university; (2) after consideration of the core indicators of quality performance identified by the respective commissions and with the active involvement of the postsecondary educational institutions, shall approve those indicators that the state board determines should be implemented; and (3) shall select from among the indicators approved for implementation those indicators that will become determinants for the allocation of state moneys on the basis of performance. The indicators selected may vary among the postsecondary educational institutions and among institutional sectors and, if feasible, shall include indicators developed and adopted by the governing bodies of each postsecondary educational institution based on the needs of each such postsecondary educational institution.

(b) During the 2001 fiscal year, the postsecondary educational institutions, including the municipal university, shall develop institutional improvement plans showing how they will implement the performance indicators applicable to their institution and how they will measure performance on the basis of each indicator. Institutional improvement plans shall be revised and submitted to the state board of regents by each institution at least every three years. The state board of regents shall provide technical assistance to institutions in the development, implementation, and revision of their improvement plans.

(c) Commencing on July 1, 2001, institutional improvement plans shall be implemented for each postsecondary educational institution, including the municipal university. Each postsecondary educational institution shall begin the data collection, measurement, or other documentation necessary in order for its performance to be evaluated with regard to each indicator.

(d) Commencing on July 1, 2004, the state board shall have authority to review and approve institutional improvement plans, and, on the basis of each plan, shall develop and implement a performance agreement with each postsecondary educational institution. Performance agreements shall incorporate the goals, priorities, policies and mission objectives identified in the institutional improvement plans, and the performance measures, which will be used to demonstrate compliance and progress.

(e) Commencing on July 1, 2005, each postsecondary educational institution's receipt of new state funds shall be contingent on achieving compliance with its performance agreement. As used in this subsection, "new state funds" means that amount of state funds by which the amount received by a postsecondary educational institution for a fiscal year exceeds the amount received by that postsecondary educational institution for the preceding fiscal year. The state board shall determine the amount of new state funds to be received by each postsecondary educational institution, taking into account the postsecondary educational institution's level of compliance with its performance agreement and the funds available for distribution. Any new state funds received by a postsecondary educational institution pursuant to a performance agreement shall be deemed to be part of the state funds received in the preceding fiscal year for the purposes of determining new state funds for the postsecondary educational institution pursuant to a performance agreement for the ensuing fiscal year. If a postsecondary educational institution is not allocated any portion of new state funds in a fiscal year, the new state funds which the institution was eligible to be allocated by the state board in such fiscal year shall be deemed part of the state funds received by such institution in such fiscal year for the purpose of determining such institution's base budget and any new state funds for the ensuing fiscal year. The failure of a postsecondary educational institution to enter a performance agreement with the state board shall prevent that postsecondary educational institution from receiving any new state funds. Any funds designated by the legislature for a specific postsecondary educational institution or purpose shall be exempt from the provisions of this section.

**History:** L. 1999, ch. 147, § 12; L. 2001, ch. 94, § 3; L. 2002, ch. 188, § 3; July 1.

## Memorandum of Agreement

### PERFORMANCE AGREEMENT

THIS PERFORMANCE AGREEMENT, by and between THE BOARD OF REGENTS OF THE STATE OF KANSAS (hereinafter the Board), Suite 520, 1000 S.W. Jackson, Topeka, Kansas 66612-1368, U.S.A. and

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(hereinafter the institution).

#### WITNESSETH:

WHEREAS, the Board is authorized to enter into reciprocal agreements regarding institutional performance/improvement; and

WHEREAS, the parties hereto are mutually desirous of entering into such an agreement with relation to institutional performance/improvement; and

WHEREAS, the parties agree that it is to their mutual benefit and interest to set forth the terms of their understanding and agreement in writing;

NOW THEREFORE, in consideration of the above premises and the individual and mutual promises of the parties hereinafter set forth, and for other good and valuable consideration it is hereby agreed by and between the parties hereto:

1. That the term of this agreement shall begin on the 1st day of January, 201 , and terminate on the 31<sup>st</sup> day of December 201 .
2. That the institution shall pursue the institutional goals and implement the institutional indicators described in the attached document "Performance Agreement Application and Reporting Form".
3. That the Board approved the "Performance Agreement Application and Reporting Form" referenced in Paragraph 2.
4. That the Board shall determine the level of the institution's compliance with the terms of the institutional Performance Agreement.
5. That the Board will determine the amount of new state funds to be received by the institution, taking into paragraph 4 and the funds available for distribution.
6. That the institution, if governed by the Board, shall follow all coordination and governance policies established by the Board; that the institution, if coordinated by the Board, shall follow all coordination policies established by the Board.

7. Any notices or other communications required or permitted to be given or delivered hereunder shall be in writing and shall be sufficiently given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties at their addresses first appearing above, or at such other addresses as either party may from time to time designate to the other in writing, and such notice or other communication shall be deemed to be given as of the date it was personally delivered or deposited in the mail, as the case may be.

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Institutional Signature

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Date

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Title

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Chair, Kansas Board of Regents

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Date