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April 22, 2016

The Honorable Rick Scott
Governor of Florida
The Capitol, Plaza Level 5
Tallahassee, Florida 32399

The Honorable Andy Gardiner
President
Florida Senate
1013 East Michigan Street
Orlando, Florida 32806

The Honorable Steve Crisafulli
Speaker
Florida House of Representatives
Suite 108
2460 North Courtenay Parkway
Merritt Island, Florida 32953-4193

Mr. Tom Kuntz
Chair
Florida Board of Governors
State University System
325 West Gaines Street, Suite 1614
Tallahassee, Florida 32399-0400

Dear Governor Scott, President Gardiner, Speaker Crisafulli, and Chair Kuntz:

The Florida Council of 100 commends you for the development and “permanent” enactment of the State University System’s performance-based funding model under House Bill 7029 (2016).

The old adage “what gets measured, gets done” holds as true for higher education as it does for businesses in the private sector. Add money into the equation, and one has a game-changer – a recipe for a strong system of incentives that can propel universities toward their goals of extraordinary access and achievement.

Optimally, a performance funding model should have several key components, including:

- Tightly aligning with the state’s priorities for education, workforce development, and economic development. The guidance of the state’s workforce and economic development plans is vital to ensuring that higher education meets the state’s true educational attainment needs.
- Utilizing a clear but comprehensive set of metrics regarding access, progression, completion, and outcome. More specifically, performance indicators should include general outcome indicators (e.g., graduation rate, job placement rate), progress outcome indicators (e.g., number of students completing 60 semester credits), subgroup outcome indicators (e.g., Pell Grant recipients), and high-need subject outcome indicators (e.g., degree awarded in STEM fields). These indicators must be balanced in order to avoid perverse incentives such as rewarding the



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cherry-picking certain desirable applicants to boost graduation rates at the expense of student access.

- Reflecting and building upon institutional mission differentiation. Tailoring a few performance metrics to the specific missions of certain universities will prevent the model from impeding those missions.
- Bringing to bear enough funding to motivate institutional behavior. If not enough funding is at risk, institutional behavior is unlikely to change.
- Being regularly monitored to ensure that it is working as intended. Unexpected factors, such as a major economic recession, can impede the ability of the model to properly motivate institutional behavior. Additionally, the model might create perverse incentives whereby an institution's actions in response to the model might have negative effects on either the state or the institution, itself.

The State University System performance funding model adopted under House Bill 7029 demonstrates all of these characteristics – a product of a multi-year effort not just to develop a mechanism but, rather, a comprehensive system that balances a myriad of competing systemic and institutional factors.

The Council stands ready to help in any way necessary to further the success of Florida's postsecondary students and institutions. As business leaders, we know that the success of our firms and Florida's economy depends on having a top-notch workforce, and your creation and "permanent" codification of the State University System's performance-based funding model is a significant step in that direction.

Sincerely,

Rhea F. Law
Chair

cc: The Honorable Joe Negron, Senate President-designate
The Honorable Richard Corcoran, House Speaker-designate
The Honorable Tom Lee, Chair, Senate Appropriations Committee
The Honorable Don Gaetz, Chair, Senate Education Appropriations Subcommittee
The Honorable Kelli Stargel, Chair, Senate Higher Education Committee
The Honorable Erik Fresen, Chair, House Education Appropriations Subcommittee
The Honorable Marlene O'Toole, Chair, House Education Committee
The Honorable Elizabeth Porter, Chair, House Higher Education and Workforce Subcommittee
Mr. Marshall Criser III, Chancellor, State University System of Florida