

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Education

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**BILL:** CS/SB 524

**INTRODUCER:** Higher Education Committee and Senator Gaetz

**SUBJECT:** State University System Performance-based Incentives

**DATE:** December 1, 2015      **REVISED:** \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Graf	Klebacha	HE	<b>Fav/CS</b>
2.	Sikes	Elwell	AED	<b>Pre-meeting</b>
3.			AP	

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**I. Summary:**

CS/SB 524 codifies performance-based funding accountability of the state universities and modifies the State University System (SUS) Performance-Based Incentive to:

- Require the performance-based metrics to include wage thresholds that reflect the added value of a baccalaureate degree.
- Require the Florida Board of Governors of the State University System of Florida (BOG or board) to establish minimum performance funding eligibility thresholds for the state's investment and the institutional investment.
- Prohibit a state university that fails to meet the state's investment performance funding threshold from eligibility to receive a share of the state's investment performance funding.

Additionally, the bill requires the BOG to adopt a regulation to implement the SUS Performance-Based Incentive statutory provisions.

During the 2015A Special Session, the Legislature adopted the substance of SB 524 in ch. 2015-222, L.O.F., the implementing bill for the 2015-2016 General Appropriations Act (GAA). These provisions will expire on July 1, 2016, unless the Legislature acts to codify the policy beyond the 2015-2016 fiscal year. SB 524 protects the SUS Performance-Based Incentive from repeal by reenacting modified provisions and providing an effective date of July 1, 2016.

The bill has no impact on state funds. The amount of performance funding available to SUS institutions is determined annually in the GAA. The changes to the SUS Performance-Based Incentive may impact an institution's eligibility for performance funding, but the impact is indeterminable.

The bill is effective July 1, 2016.

## II. Present Situation:

The Legislature has established performance-based funding models in the recent years to evaluate the performance of Florida's public educational institutions, such as state universities and Florida College System institutions, based on identified performance metrics.

In 2014, the Legislature required that performance funding be allocated based on the BOG's Performance Funding Model approved on January 16, 2014.<sup>1</sup> The BOG's Performance Funding Model contained 10 performance metrics that evaluate the state universities on the following:<sup>2</sup>

- Percent of bachelor's degree graduates employed and/or continuing their education;
- Average wages of employed baccalaureate graduates;
- Cost per undergraduate degree;
- Six-year graduation rate (full-time and part-time first time in college (FTIC));
- Academic Progress Rate (second year retention with grade point average above 2.0);
- Bachelor's degrees awarded in areas of strategic emphasis (including Science, Technology, Engineering, and Math (STEM) education);
- University access rate (percent of undergraduates with a Pell Grant);
- Graduate degrees awarded in areas of strategic emphasis (including STEM);
- Two additional metrics, one chosen by each of the following:
  - Board of Governors and
  - University Board of Trustees

The performance of state universities are evaluated based on the benchmarks adopted by the BOG for achievement of excellence or improvement in these specified metrics. The 2014-2015 GAA appropriated \$200 million for State University Performance Based Incentives, which included \$100 million in new funding and \$100 million redistributed from a proportionate share of each state university's base funds.<sup>3</sup> A state university that qualified for the new funding, also received its full base funding.<sup>4</sup> A state university that failed to meet the minimum performance threshold established by the BOG had a portion of its base funding withheld and was required to submit a performance improvement plan (plan) to the BOG.<sup>5</sup> The board was required to approve the plan and monitor the university's progress on implementing the performance measures specified in the plan.<sup>6</sup> Full base funding for a state university was restored upon the board's approval of the plan and progress monitoring reports.<sup>7</sup> Full base funding was not restored for a state university that fails to make satisfactory progress on meeting its performance improvement plan expectations.<sup>8</sup>

<sup>1</sup> Specific Appropriation 143, ch. 2014-51, L.O.F.

<sup>2</sup> Florida Board of Governors, *Meeting Minutes* (January 16, 2014), available at [http://www.flbog.edu/documents\\_meetings/0187\\_0790\\_5874\\_10.2.2%20BOG%202014\\_01\\_16\\_Board\\_of\\_Governors\\_minutes.pdf](http://www.flbog.edu/documents_meetings/0187_0790_5874_10.2.2%20BOG%202014_01_16_Board_of_Governors_minutes.pdf); see also Florida Board of Governors, *Performance Funding Model Overview*, available at [http://www.flbog.edu/about/budget/docs/performance\\_funding/Overview-Doc-Performance-Funding-10-Metric-Model-Condensed-Version-April2015.pdf](http://www.flbog.edu/about/budget/docs/performance_funding/Overview-Doc-Performance-Funding-10-Metric-Model-Condensed-Version-April2015.pdf).

<sup>3</sup> Specific Appropriation 143, ch. 2014-51, L.O.F.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Specific Appropriation 143, ch. 2014-51, L.O.F.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

During the 2015A Special Session, the Legislature codified the SUS Performance-Based Incentive, which is based on indicators of institutional attainment of performance metrics adopted by the BOG.<sup>9</sup> These performance metrics include graduation rates, retention rates, postgraduation education rates, degree production, affordability, postgraduation employment and salaries, access, and other metrics approved by the board in a noticed meeting.<sup>10</sup> The Legislature instructed the BOG to adopt benchmarks to evaluate each state university's performance on the metrics to determine a state university's achievement of institutional excellence or need for improvement.<sup>11</sup> The 2015-2016 GAA appropriated \$400 million for the SUS Performance-Based Incentive, which included \$150 million for the state investment and \$250 million for the institutional investment.<sup>12</sup>

### III. Effect of Proposed Changes:

CS/SB 524 codifies performance-based funding accountability of the state universities and modifies the SUS Performance-Based Incentive to:

- Require the performance-based metrics to include wage thresholds that reflect the added value of a baccalaureate degree.
- Require the BOG to establish minimum performance funding eligibility thresholds for the state's investment and the institutional investment.
- Prohibit a state university that fails to meet the state's investment performance funding threshold from eligibility to receive a share of the state's investment performance funding.

Additionally, the bill requires the BOG to adopt a regulation to implement the SUS Performance-Based Incentive statutory provisions.

During the 2015A Special Session, the Legislature adopted the substance of SB 524 in ch. 2015-222, L.O.F., the implementing bill for the 2015-2016 GAA. These provisions will expire on July 1, 2016, unless the Legislature acts to codify the policy beyond the 2015-2016 fiscal year. SB 524 protects the SUS Performance-Based Incentive from repeal by reenacting modified provisions and providing an effective date of July 1, 2016.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

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<sup>9</sup> Section 1001.92, F.S., as created by s. 14, ch. 2015-222, L.O.F.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> Specific Appropriation 138, ch. 2015-232, L.O.F.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

According to the BOG, “There is no discernable fiscal impact on local governments. At this time, Board staff are unable to discern the impact of raising the wage threshold for the post-graduation metric on universities and the effect of scoring for performance based funding.”<sup>13</sup>

The BOG is conducting an analysis to establish an appropriate threshold for the postgraduation metric that would reflect the added value of a baccalaureate degree.<sup>14</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 1001.92 of the Florida Statutes.

**IX. Additional Information:**

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Higher Education on November 17, 2015:**

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<sup>13</sup> Email, Florida Board of Governors, *2016 Agency Legislative Bill Analysis for SB 524* (Oct. 29, 2015), at 1, on file with the Committee on Education staff.

<sup>14</sup> Email, Florida Board of Governors, *2016 Agency Legislative Bill Analysis for SB 524* (Oct. 29, 2015), at 2, on file with the Committee on Education staff.

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The committee substitute restores current law regarding limiting to one fiscal year, the ability of state universities to submit performance improvement plans to the Florida Board of Governors of the State University System of Florida to receive institutional investment performance funding.

B. Amendments:

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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