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**CERTIFIED PUBLIC MANAGER'S PROJECT**

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**PROJECT TITLE: Higher Education Funding in South  
Carolina**

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**AGENCY: SC Commission on Higher Education**

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**STATE DOCUMENTS**

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## I. THE PROBLEM

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When the Legislature adopted performance-based funding in 1996, the intention was to make colleges and universities more accountable for the funding they received. The process has been implemented. However, the system has failed to produce the performance or the funding intended in the enabling legislation. *Should funding be linked to performance without percent increases in state funding?*

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Supporters of public higher education in South Carolina have expressed serious concerns about whether colleges or universities are receiving adequately funding from the state. Some state leaders have questioned the realism of current funding models. Revenue shortfalls and competing state priorities have made it impossible for many states to continue to fund colleges and universities at the levels called for by existing funding models.

At the same time, higher education has been criticized for being slow in responding to the need to balance teaching and research, instruction and non-instruction without shortchanging one for the other. Can funding the balance be addressed by funding models?

As accountability in higher education has gained momentum, many states are linking budgeting/funding to performance indicators. The most frequently used measures are graduation, transfer, and faculty workload/productivity statistics. Sixteen states linked performance measures to the budget process. Performance funding represents only an average of 2 to 3 percent of overall support for higher education. South Carolina is the exception -- as the first state to link 100% of its higher education budget to performance indicators.

In South Carolina, legislation requires that 100% of the funding for higher education be based on performance rather than the more traditional enrollment-based methodology. Yet the state has not provided the necessary funding for this process to be successfully implemented.

## **INTRODUCTION**

The South Carolina Commission on Higher Education (CHE) and the State's colleges and universities are committed to a broadly educated citizenry in order to promote informed leadership, economic development, and workforce preparation to meet the needs of the State of South Carolina. Well-educated persons possess the knowledge to contribute meaningfully to the improvement of our society. They have the ability to think creatively and critically about a wide range of problems. It is the duty of the higher education community to provide access to higher education for the citizens of South Carolina and to promote their intellectual growth and development. The State's thirty-three colleges and universities and the Commission on Higher Education are dedicated to improve educational opportunities, academic programs, and fiscal accountability through increased cooperation and collaboration and through closer linkages between planning and budgeting.

The following goals focus on three areas of importance—economic development, advocacy and accountability, and technology and distance education—and establish directions that higher education should take to serve the citizens of this State.

Act 359 of 1996, an initiative commonly known as "Performance Funding," amended Section 59-103-10, *et seq.*, of the Code of Laws of South Carolina, 1976, as amended, and established a new direction for the accountability and funding of higher education in South Carolina. Act 359 requires that public institutions of higher education in South Carolina be funded based on their performance in achieving standards in nine areas, known as "critical success factors." The

legislation requires that 37 performance indicators be used to determine an institution's performance in achieving the critical success factors (§59-103-30, *SC Code of Laws, 1976, as amended*). As directed by the legislation (§59-103-45, *SC Code of Laws, 1976, as amended*). Performance funding was to be phased in over a three-year period, with appropriations being allocated entirely on performance during FY 1998-99 for expenditure in FY 1999-2000.

Pursuant to Act 359, the Commission on Higher Education developed a plan of implementation for performance funding that is outlined below:

**The Plan:** The plan consists of two major components: (1) a determination of financial need for the institutions and (2) a process for rating each institution's performance on each indicator.

- (1) The determination of need identifies the total amount of money the institution should receive based on nationally comparable costs for institutions of similar mission, size and complexity of programs. The result is the Mission Resource Requirement (MRR) for the institution.
- (2) The performance rating is determined by whether or not the institution meets or exceeds or does not meet goals for each indicator. For some indicators, the institutions propose goals subject to the Commission's approval. For others, the goals are established by the Commission on Higher Education as criteria which an institution should meet. Each year, the institution is rated on its success in meeting each goal. The institution with the higher score receives a proportionally greater share of its Mission Resource Requirement.

**Implementation.** The plan as outlined above was developed in 1996-97 and modified in 1999. The original plan was used to distribute \$4.6 million for FY 1997-98, and \$14.5 million in FY 1997-98. Fourteen of the 37 indicators were used to produce the ratings in the first year, while

22 of the 37 indicators were used to produce the ratings in the second year. For the third year, 1999-2000, the Commission on Higher Education was to use all 37 indicators to allocate funding based on performance.

## **II. HOW MUCH FUNDING IS NEEDED TO ADDRESS THE PROBLEM?**

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Within the higher education environment, success is measured by the ability to achieve results. The many complexities of higher education in the 21<sup>st</sup> century necessitate an experienced hand to achieve success. With competing state priorities for funding, can adequate funding be appropriated to implement performance funding, achieving results?

Funding methods for public higher education are complex in any state or system. Each has its own history and traditions. Over time, funding methods have been designed to provide “adequate” funding, to distribute funds “equitably,” or to provide “stability” from year to year.

The South Carolina Higher Education Funding Formula provides for equitable sharing of state taxpayer support for South Carolina’s public colleges and universities. See Attachment 1 for S.C. CHE Guiding Principles for a Performance-Based Funding Model.

### **FUNDING BACKGROUND**

#### Allocation Methodology for 1995-96 and Beyond

In FY 1992 the appropriation to the public institutions decreased from a previous five year average of 91% of the recommended formula to an extremely low level of 74%. Although it was believed at the time that the low funding level would be temporary, the Commission on Higher Education (CHE) and the institutions felt it was necessary to use an alternate methodology for allocating the state appropriations. Prior to that time all state appropriations to the institutions

were allocated strictly by formula with all institutions receiving the same percentage of the formula.

Since FY 1991-92 some modified version of a “hold harmless” methodology have been used. This resulted in a wide disparity in the percentage of formula funding each institution had been appropriated. CHE recognized the need to return to all institutions receiving equivalent levels of funding, or “parity”. At that time, the formula was currently funded at an average of 71.8% with the range being 63.5% to 79.4%. As noted above, the disparity was the result of four years of alternate allocation methodology. Because of such a spread, an abrupt return to equivalent percentages for all institutions could have meant financial distress for a number of institutions. Therefore it was imperative that the move back to parity be cautiously but deliberately. The Commission on Higher Education, along with institutions consent, put in place an allocation plan that would move the institutions back to parity deliberately but would provide reasonable portions of new (funds over the previous year allocation) state appropriations to the “hold-harmless” institutions.

With performance funding, in FY 97-98, the CHE developed and implemented a new formula, the Mission Resource Requirements (MRR), to estimate each institution’s need for funding. At this time, the CHE began allocating some state funding for higher education based on performance, as determined by the scores institutions received on performance indicators defined by the CHE. Table 1.1 below shows the total amount appropriated to higher education institutions for operations for Fiscal Year 1988-1989 through Fiscal Year 2003-2004.

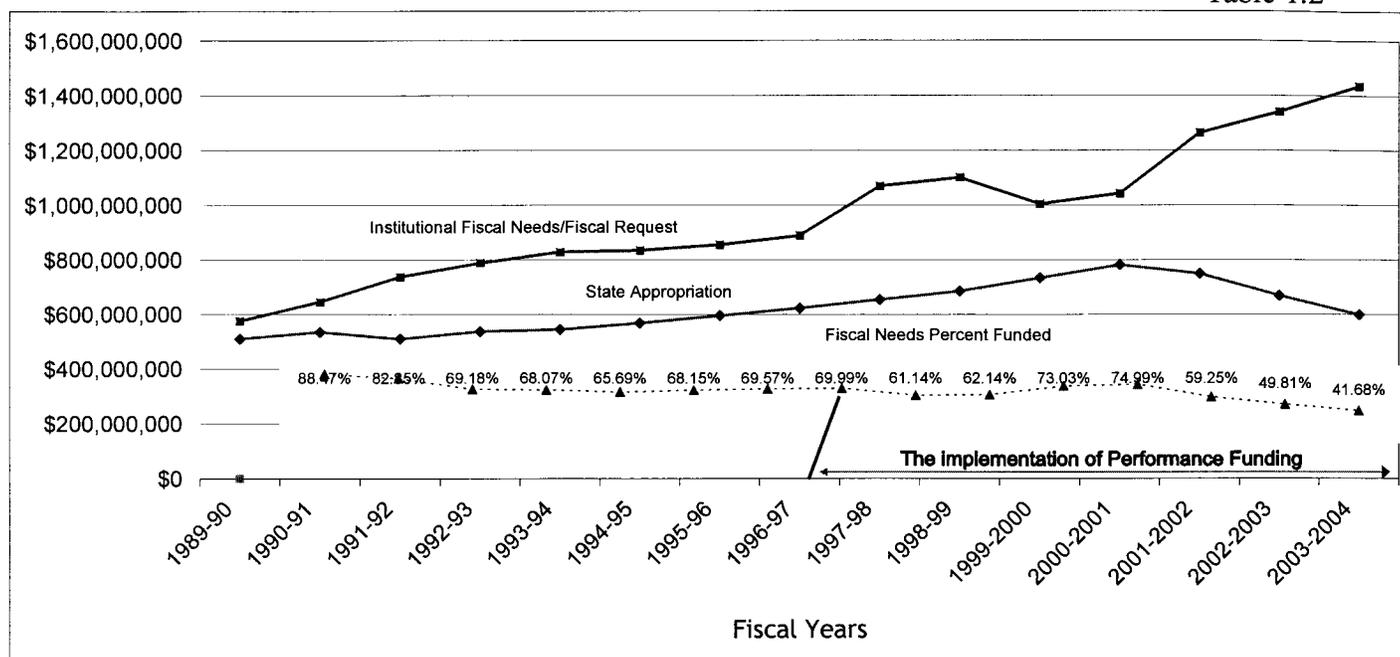
## Fifteen Year Comparison of State Education Appropriations

Institutions	1988-89	1989-90	1990-91	1991-92	1992-93	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
The Citadel	\$13,150,695	\$13,440,915	\$13,318,079	\$12,690,110	\$12,574,924	\$12,964,823	\$13,561,912	\$14,136,564	\$14,807,372	\$15,548,741	\$16,283,051	\$17,204,904	\$16,451,476	\$14,613,900	\$12,916,675
Clemson University	68,020,858	73,968,144	79,160,103	76,189,297	78,417,100	83,219,539	86,790,546	89,902,149	93,704,323	97,815,027	103,660,439	110,293,171	105,647,205	94,206,543	84,692,213
Coastal Carolina Univ	8,473,282	10,005,137	10,328,277	9,913,824	9,876,034	10,353,946	10,821,421	11,453,262	11,895,702	12,430,306	13,853,822	14,783,267	14,055,808	12,568,853	11,213,779
College of Charleston	18,339,399	19,989,146	21,102,369	20,204,018	20,946,734	22,324,898	23,731,508	25,258,825	27,142,927	28,429,609	31,563,801	33,478,821	32,156,700	28,704,517	25,546,431
Francis Marion Univ.	10,953,391	12,581,605	12,294,681	11,810,413	11,731,589	12,278,537	12,856,642	13,425,391	14,019,921	14,675,471	15,455,483	16,395,070	15,743,965	14,091,406	12,577,375
Lander University	7,262,520	8,293,945	8,160,027	7,744,978	7,737,522	8,050,720	8,445,495	8,986,625	9,474,430	9,922,861	10,632,018	11,367,679	10,795,408	9,598,295	8,501,491
S C State University	18,349,196	20,015,855	19,094,566	18,107,971	18,554,173	19,520,994	20,610,980	21,102,005	21,866,016	22,874,220	23,957,059	25,346,016	24,349,522	21,734,854	20,360,246
USC - Columbia	113,701,825	117,989,165	121,458,704	116,658,005	135,888,848	143,201,995	149,509,137	154,825,312	162,054,045	169,462,312	180,026,469	191,624,376	183,694,311	164,082,817	147,360,388
USC - Aiken	5,883,944	7,095,725	7,521,672	7,153,443	7,405,229	7,927,150	8,398,386	9,046,116	9,507,317	9,947,507	11,254,855	12,205,044	11,722,160	11,292,402	9,349,575
USC - Spartanburg	7,951,883	9,247,397	9,323,071	9,052,539	9,275,830	9,829,041	10,303,739	10,796,953	11,453,712	11,968,844	12,680,432	13,734,942	13,205,810	11,809,149	10,535,981
USC - Beaufort	1,355,209	1,586,768	1,679,829	1,675,641	1,717,884	1,752,329	1,822,496	1,913,145	1,984,684	2,076,475	2,303,097	2,429,519	2,304,123	2,036,921	1,815,469
USC - Lancaster	2,095,411	2,232,823	2,418,237	2,285,255	2,341,409	2,442,269	2,523,910	2,599,215	2,899,110	2,796,463	2,892,544	3,041,955	2,898,001	2,589,022	2,309,895
USC - Salkehatchie	1,266,081	1,536,060	1,701,987	1,666,946	1,753,192	1,882,009	1,956,004	2,061,485	2,144,640	2,229,364	2,430,395	2,560,796	2,439,620	2,170,840	1,943,376
USC - Sumter	2,797,840	3,169,789	3,317,179	3,143,386	3,228,923	3,475,211	3,651,547	3,763,841	3,901,045	4,070,316	4,518,654	4,859,525	4,650,676	4,158,696	3,710,339
USC - Union	758,411	807,602	900,056	886,922	890,763	933,544	970,842	986,587	1,014,866	1,069,822	1,112,800	1,180,301	1,134,149	1,014,564	905,182
Winthrop	18,718,232	19,504,324	19,499,069	18,658,483	18,069,224	18,444,268	19,142,559	19,947,589	20,844,189	21,854,944	23,428,624	25,404,503	24,477,409	21,900,504	19,539,367
Medical Univ. of SC	72,351,616	76,345,953	81,210,262	77,645,440	75,889,204	79,220,571	83,000,670	87,141,972	91,631,143	95,784,253	99,967,346	105,592,218	101,320,502	90,497,750	80,921,301
A.H.E.C.	14,301,307	15,042,760	14,974,931	13,233,689	13,280,626	13,421,194	13,851,484	14,988,780	16,099,151	16,668,348	17,533,840	18,394,116	17,239,029	15,259,463	13,773,565
State Board for Technical & Comprehensive Education	<u>88,608,831</u>	<u>96,382,911</u>	<u>106,103,415</u>	<u>101,492,020</u>	<u>106,801,287</u>	<u>117,066,868</u>	<u>123,130,659</u>	<u>129,977,976</u>	<u>138,106,128</u>	<u>144,552,433</u>	<u>159,841,242</u>	<u>171,310,188</u>	<u>164,394,750</u>	<u>145,607,931</u>	<u>130,086,784</u>
<b>Subtotal</b>	<b>\$474,339,931</b>	<b>\$509,236,024</b>	<b>\$533,566,515</b>	<b>\$510,212,380</b>	<b>\$536,380,495</b>	<b>\$568,309,906</b>	<b>\$595,079,937</b>	<b>\$622,313,692</b>	<b>\$654,360,721</b>	<b>\$684,177,316</b>	<b>\$733,395,971</b>	<b>\$781,206,411</b>	<b>\$748,680,924</b>	<b>\$667,938,427</b>	<b>\$598,061,432</b>
Colleges & Universities as a % of State Revenue	15.3%	15.2%	15.4%	15.0%	15.2%	14.4%	14.4%	14.2%	14.0%	14.9%	14.8%	14.6%	13.7%	12.9%	12.4%

Over the past 15 years, South Carolina Higher Education institutions has lost 47% (based on institution's fiscal need/legislative request) of the state appropriation funding and 3% (colleges and universities as a percent of total state revenues) and has not fully replaced it with other sources of funds. The institutions have had to replace those funds with student tuition increases.

As discussed above, the CHE calculates its budget request for the institutions of higher education by using a funding formula. The General Assembly has not appropriated the full amount requested by the CHE for several years. Based on the funding formula (the MRR), the recent level of funding for higher education has averaged around 42% of the amount requested (see Table 1.2 below). Table 1.2 represents the overall percentage of the CHE's request that has been funded; individual institutions may receive less or more than this percentage. Differing levels of funding for different institutions came about because the commission's allocations to certain institutions were in excess of what the formula called for. When the CHE gave more funds to some institutions, others received less than their share of funding formula dollars.

Table 1.2



**Funding needed:**

In Fiscal Year (FY) 2003-2004 the colleges and universities were funded \$598,061,432 in state appropriations. The institution’s fiscal needs were \$1,434,857,848. The state had funded the colleges and universities only 41.68% of its needs. The fiscal needs or fiscal request to the legislation/state does not include student fees/student portion of educational and general (E & G) cost. If the state, in FY 2003-2004, had funded the colleges and universities at the level it was funded in FY 1996-1997 – 69.99% (the year before performance funding), they would have received an additional \$406,144,101.

*With competing state priorities of funding, can adequate funding be appropriated to implement performance funding?* With higher education budget being reduced 3%, as compared to total state revenue, and the State having experience budget reductions over the past few years and the future projections not looking any better it would be impossible for adequate funding being appropriated to implement performance funding.

### **III. SHOULD PERFORMANCE FUNDING BE LINKED TO INSTITUTION'S EDUCATION AND GENERAL FUNDING? IS IT REALISTIC TO REQUIRE 100% OF STATE APPROPRIATIONS TO BE ALLOCATED BY PERFORMANCE?**

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It is difficult to produce a comprehensive assessment of all aspects of an institution's quality, given the limitations inherent in any measurement system. The CHE has complied with the law in developing and implementing performance measures. However, the current performance funding measures do not provide a comprehensive assessment of institutional quality. In 2000 the Legislative Audit Council (LAC) did an audit of the South Carolina Higher Education Performance Funding process. In addressing the question "*Should performance funding be linked to institution's education and general funding?*", the LAC listed below in its audit reasons that the performance measurement system should not be used as the sole determinant of institutional funding which included: changes and volatility of the system, problems in measurement, the narrow focus of the indicators, and the use of some indicators that may be inappropriate for some institutions.

Performance funding has had little effect on the elimination of waste and duplication in higher education. The CHE has promulgated regulations for the reduction, expansion, consolidation, or closure of an institution as a result of institutional performance, but the possibility of this occurrence is remote. Institutions report their internal efforts to eliminate duplication and waste in both academic and administrative areas.

The LAC further went on to state two primary reasons why an institution's entire funding should not be based on the performance indicators:

- The science of performance measurement has not advanced to the degree that the institutional scores have provided valid comprehensive assessments of institutional quality.

- Allocations based solely on performance scores could result in extreme fluctuations in funding.

If the funding model took no account of institutional needs, but was based solely on a performance score, the institution with the highest score would get the most funding. For example, in FY 00-01, USC–Sumter should have been allocated more funds than USC–Columbia because it had a higher performance score. Even with the use of a formula where institutional needs are considered in addition to performance scores, wide fluctuations in funding could result.

In a 1997 national report, nine states reported they allocated between less than 1% and 3.4% of their funding based on performance. A survey conducted by the Nelson A. Rockefeller Institute of Government stated that as of 2000, 17 states had performance funding for all or part of their state=s higher education system. This survey also stated that: . . . too much funding [based on performance] can have the detrimental effect of producing budget instability. See Attachment 2 for another article and survey by the Nelson A. Rockefeller Institute of Government.

**IV. IS THE CURRENT FUNDING MODEL DESIGNED TO ADDRESS PERFORMANCE?  
DOES THE CURRENT FUNDING MODEL USED FOR SC PUBLIC COLLEGES AND  
UNIVERSITIES REALISTIC IN TERMS OF THE AMOUNTS GENERATED?**

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**The Allocation Plan for FY 2001-2002**

As part of the FY 2001 allocation plan, \$1.8 million was set aside for performance improvement. Each institution that scored less than an “exceeds standard” was eligible to apply for use of those funds on a non-recurring basis.

The details of the plan for the fiscal year beginning July 1, 2001 were as followed.

1. The Plan subjects all funds to the performance indicators.
2. The Plan uses the scores and rating system as determined by the Planning and Assessment (Performance Funding) Committee. The Committee's scores will be applied to both the current and previous year's appropriation.
3. In the event of a reduction in current year's appropriations, each institution would receive its pro rata share of the reduction, as defined by the legislature. (If the appropriation reduction was 10%, then each institution would be reduced by 10%, unless the General Assembly dictates exemptions or exceptions.)
4. The appropriations will be allocated as follows:

*Previous year's Appropriation*

- *In order to receive the previous year's appropriation, institutions must score an achieves or higher on their performance rating.*
- *An institution scoring less than "achieves" will be subject to the disincentives included in the current allocation plan.*
  - *Three percentage of its appropriation will be deducted for a "does not achieve" and five percentages for "substantially does not achieve"*
  - *The disincentive funds will be added to the current year's appropriation for distribution to the institutions.*

*Current Year's Appropriation*

- *Current year's appropriation is defined as the "new dollars" appropriated by the legislature;*
- *Plus the disincentives from institutions that scored less than "achieve."*

The amount of funding affected by the institutions scores on performance indicators has not been significant. In the second phase-in year, FY 1998-1999, appropriations act proviso 5A.26 mandated that the CHE distribute \$250 million using the performance indicators. In that year, performance scores affected a total of almost \$266 million. In FY 1999-2000 and FY 2000-2001, the years in which funding was to be based *entirely* on performance, the amount affected by performance scores was 3% each year. CHE staff have complied with the law requiring 100% performance funding because, in order to qualify for its base appropriation (appropriation from the previous year), an institution must score in the "Achieves" range. If the institution received a score of "Does not Achieves" or "Substantially Does Not Achieve", its base budget would be reduced by 3% or 5%, respectively. However, no school have received a score lower than "Achieves". Also, even if a school did receive "Does Not Achieve" or lower, the effect on its appropriation would be at most 5%, leaving 95% to be allocated not by performance, but according to institutional needs. However, the impact of performance is cumulative, not just annual. The amount of funding allocated in one year based on performance becomes the starting point for calculations in the following year. Thus the impact of performance is compounded from year to year, increasing the overall impact of performance on funding.

#### **BUDGET SITUATION**

South Carolina is in its second year of reduced revenues or no revenue increase and current outlooks indicate that the next fiscal year will not be much better. The budget process for all state and local entities has become difficult, with across-the-board cuts and downsizing. While South Carolina is not alone in facing this budget crisis, how deeply it hits and how long it lasts are somewhat controlled by the General Assembly's control of the budgeting process.

Current budget shortfalls are being impacted by multiple factors. The current recession and the resulting decreased revenues, the lack of budget surpluses to continue paying for recurring expenses and imprecise revenue estimates all are contributing factors.

The current funding model is designed to address performance and but is not realistic in terms of the amounts generated. In order to produce the performance or the funding intended in the enabling legislation, the system will have to allocate much more money to higher education performance funding.

## **V. CONCLUSION**

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**“Higher education is America’s number one asset.** The greater the uncertainty about the world and what America may become, the more certain we are of higher education’s role in our future prosperity. In these times, the nation whose citizens have the highest levels of education will fare best.

In the midst of today’s economic, social, and political uncertainties, America’s best protection is a well-educated citizenry. ...

Mark Musick, SREB President

In order to sustain strong academic programs, be globally competitive (the established mission for SC higher education), and improve the quality, focus and efficiency of all higher education institutions in South Carolina the funding for higher education must be adequate. Reducing the ratio of state appropriations to other funding sources has a negative impact on the performance of the institutions in reaching their missions and in providing a quality education to the students enrolled.

<b>S.C. C.H.E. Guiding Principles for a Performance-Based Funding Model</b>	
<b>Characteristic</b>	<b>Summary Description of Principles</b>
A. Goal-Based	The funding model should incorporate and reinforce the broad goals of Act 359 and the Commission on Higher Education for the state's system of colleges and universities as expressed through approved missions, quality expectations and performance standards.
B. Mission-Sensitive	The funding model should be based on the recognition that different institutional missions (including differences in degree levels, program offerings, student readiness for college success and geographic location) require different rates of funding.
C. Adequacy-Driven	The funding model should determine the funding level needed by each institution to fulfill its approved mission.
D. Size-Sensitive	The funding model should reflect the impact that relative levels of student enrollment have on funding requirements.
E. Responsive	The funding model should reflect changes in institutional workloads and missions as well as changing external conditions in measuring the need for resources.
F. Adaptable to Economic Conditions	The funding model should have the capacity to apply under a variety of economic situations, such as when the state appropriations for higher education are increasing, stable or decreasing.
G. Concerned with Stability	The funding model should not permit shifts in funding levels to occur more quickly than institutional managers can reasonably be expected to respond.
H. Simple to Understand	The funding model should effectively communicate to key participants in the state budget process how changes in institutional characteristics and performance and modifications in budget policies will affect funding levels.

<b>S.C. C.H.E. Guiding Principles for a Performance-Based Funding Model</b>	
Characteristic	Summary Description of Principles
I. Equitable	The funding model should provide both horizontal equity (equal treatment of equals) and vertical equity (unequal treatment of unequals) based on size, mission and growth characteristics of the institutions.
J. Adaptable to Special Situations	The funding model should include provisions for supplemental state funding for unique activities that represent significant financial commitments and that are not common across the institutions.
K. Reliant on Valid & Reliable Data	The funding model should rely on data that are appropriate for measuring differences in funding requirements and that can be verified by third parties when necessary.
L. Flexible	The funding model should be used to estimate funding requirements in broad categories; it is not intended for use in creating budget control categories.
M. Incentive-Based	The funding model should provide incentives for institutional effectiveness and efficiency and should not provide any inappropriate incentives for institutional behavior.
N. Balanced	The funding model should achieve a reasonable balance among the sometimes competing requirements of each of the criteria listed above.

### MEETING THE CHALLENGE OF CHANGE AND CONTINUITY "KEEP WHAT YOU CAN, CHANGE WHAT YOU MUST"

Joseph C. Burke  
Director, Higher Education Program  
The Nelson A. Rockefeller Institute of Government

#### **Recent Changes in Other States**

The performance funding programs, launched in other states in the last few years, are beginning to incorporate the characteristics of stability. Many of the early efforts at performance funding, like South Carolina's, suffered from rigid mandates that sought radical reform of public higher education, with little or no consultation with campus leaders. They imposed lengthy lists of statewide indicators that discouraged campus diversity and tied annual funding to institutional results that take years to improve. The newer programs address these problems. In the last two years, most of the initiatives come from coordinating, and increasingly from system, boards rather than from legislative mandates. All of them involve extensive consultation with campus leaders. Legislative prescription of performance indicators is now rare. This trend departs sharply from the programs in place in 1997, when legislation mandated 80 percent of the plans and prescribed the indicators in half of these efforts.

Legislation did mandate the re-adopted program in Colorado, but unlike the abandoned effort, the new initiative let the Coordinating Board, in full consultation with campus leaders, develop indicators that reflect both statewide concerns and diverse campus missions. The Colorado example suggests that the problem is not the existence of a mandate, but the restriction of prescription and the lack of consultation. Along with many of the newer programs, Colorado permits each campus to select two indicators related to its strategic plan. The newer efforts also use fewer indicators than earlier programs.

Several of the newer initiatives link performance funding to multi-year plans. They recognize that improvements in higher education take time. The Partnership for Excellence between California and its Community College System spreads consideration of performance over seven years. The System for Higher Education in Pennsylvania ties funding to institutional performance over four years. Louisiana's program has a five-year time line, with institutions presenting an annual operational plan. The proposal in Virginia involves Institutional Performance Agreements for six years, which include statewide and campus indicators linked to institutional missions.

All of these initiatives provide additional funding to encourage campus acceptance. Even more important, most of them make multi-year commitments of increases in state fiscal support for public higher education. These fiscal commitments contrast sharply with many of the earlier efforts at performance funding. All too often, the earlier programs, like South Carolina's, exacted campus commitments to annual improvements in performance with no corresponding state commitment to increased funding each year. In those early efforts, no state made multi-year commitments for additional allocations as part of a state-campus partnership in performance funding. Responses to our recent survey in 1999-2000 reveal that the failure of performance funding to increase overall state allocations constitutes for campus leaders in South Carolina the biggest disappointment of performance funding. Over 70 percent of the respondents believe that performance funding has not increased state support for higher education.