

## Part II: The Middle Years (2001 to 2003)

In the final four months of 2000, OUS changed the Performance Indicator and Performance Funding Policy to reflect the issues raised by Emergency Board. The process included negotiating compromises between the Board, campus leaders, and then Representative Kurt Schrader (now Senator Schrader) from Canby. The common goal was to increase the efficiency of creating individual reports for seven campuses and an aggregate System report and to create a more credible process for the legislature and other constituents.

As the Board and campus leaders progressed in their understanding of “measuring what is valued” (over “valuing what is measurable”), the longer list of performance indicators was reduced to Key Performance Indicators. At its February 2001 meeting, the Board of Higher Education approved revisions to the October 1997 and January 2000 policy statements.

### Streamlining PI Process

A subgroup of Provosts (OSU, UO, OIT, and EOU) met several times to consider indicators that should be tied to funding and the target-setting process to be used. To meet the demand by the public and policy makers for greater accountability in Oregon public higher education, OUS modified the performance indicator and performance funding policy based on discussions with the Councils:

- Twelve of the 30 indicators were designated “Key Performance Indicators”; (*See Figure 4 and Appendix B*)
- Five indicators would be linked to performance funding and would be common for all seven campuses;
- Two additional indicators, also linked to performance funding, would be selected by each institution to reflect institutional uniqueness in mission and strategic directions;
- Institutions would set improvement targets for only the indicators tied to performance funding (streamlining the number from 30 to 7 indicators with targets); and
- Guidelines for setting mission-specific targets would be developed.

**Common Indicators:** The Common Indicators tied to funding for which targets had to be set included the following five indicators:

- *Persistence.* First-time, full-time freshmen that persist to the second year;
- *Satisfaction.* Recent bachelor’s graduates that rate their overall educational experience as “very good” or higher;

- *R&D*. Total sponsored research and development (gifts, grants, and contracts) expenditures and average expenditures per full-time ranked instructional faculty;
- *Degrees*. Total degrees awarded (includes bachelor's, master's, doctoral, and first professional); and
- *Degrees in Shortage Areas*. Total degrees conferred in Oregon's shortage areas with each campus selecting either (a) engineering /computer science fields or (b) a K-12 education specialty designated "a shortage area" in Oregon (i.e. administration, special education, and math and science high school teachers).

**Mission-specific Indicators.** The OUS Academic Council approved guidelines for selecting these indicators, which would be tied to performance funding:

- Campuses must select at least one indicator, or subset, from the remaining seven Key Performance Indicators (or the 30 performance indicators approved in 1997 due to the availability of baseline data).
- Campuses had the option of developing an indicator and taking responsibility for gathering data, reporting results, and maintaining an auditable record. The indicator had to focus on output or outcome, instead of input or process. For example, increasing the enrollment of women in male-dominated disciplines would also require tracking their successful completion.
- The Chancellor reviewed and approved the two indicators selected by each campus.
- OUS intended to increase the number of indicators tied to funding until all Key Performance Indicators were tied to funding with the expectation that campuses would also be interested in adding a few more mission-specific indicators.

In addition to streamlining the indicators, the campuses needed a method for setting improvement targets.

**Target-setting Method.** With the indicators reduced in number for the annual report, the challenge was to develop a process for setting challenging but still realistic improvement targets. Following the general practice of *Oregon Benchmarks*, campuses were required to set two targets, one based on improving against one's own past performance and the another based on reducing the gap in performance with that of peer institutions. We created a target calculator to create two targets for each indicator tied to funding which became the basis for negotiating the final target for campuses. (See *Appendix C.*)

- Campuses set targets based on improving against their own campuses baselines. These targets are called "sustaining improvement targets," "low targets," or "riding the wave targets."

- Campuses set targets based on benchmarking the performance of peers or based on getting to improvement in half the time, or doubling the improvement represented in the sustaining improvement target. These targets are called “accelerated improvement targets” or “high targets.”

A common business approach is to focus on closing the gap in performance between the leader in the relevant group and one’s own performance. Because the gaps were great between the performance of OUS institutions and that of their peers for several of these performance indicators, we modified this approach. For the most part, OUS institutions were at the very bottom or bottom quartile of their peers. Compared to their peer groups, the quantity of performance needed to close the gap was set at the average performance in the peer group instead of the leader in the peer group. (See Figure 6) For the indicators using IPEDS data conventions, such as freshman persistence, the performance of the institutions in one’s peer group could be located easily to identify performance gaps and set targets. (See Appendix D)

To understand the benchmarking process used in Oregon Benchmarks, the Executive Director of the Oregon Progress Board,<sup>1</sup> was invited to meet with the Assessment Council. In reviewing the performance indicators and improvement targets, he noted that if campuses are performing at 90% or higher compared to the peer leader, one should consider performance as “good enough.” The benefit of making the last percentage point changes usually does not offset the costs of achieving the improvement. He expressed concern that graduation rate (or program completions) was not among the indicators tied to funding. After some debate over whether “The Goal” was degree production, he asserted those outside the academy believed it to be the core function and he advised including it.

**Peer Review Process.** A subcommittee of campus leaders (UO, OSU, PSU, and SOU) developed a peer review process to make incentive award allocation decisions. The subcommittee recommended distributing the incentive pool between the common and institution-specific indicators in the following manner: 60% for the common indicators and 40% for the institution-specific indicators. In February 2001, each provost reviewed the performance of six campuses (excluding their own) and assigned point values for campus performance. The anticipated added value of involving provosts in the peer review was increasing the ability to think strategically about performance indicators as well as provide feedback to each other about progress toward targets and the legitimacy of targets.

This hope was jettisoned, however, when the budget shortfalls in 2002 and resources set aside for performance incentives were redirected to other OUS priorities. Performance funding was included in the OUS Budget Request for 2003-05, but performance funding was deleted from the

---

<sup>1</sup> The Oregon Progress Board was created in 1989 to develop and nurture a preferred vision for Oregon’s future. Once a direct report to the Governor, the Progress Board is now housed in the Department of Administrative Services (DAS). President Frohnmayer has served on the Board for many years, as have former Board of Higher Education members in addition to Oregon business leaders. What started out as 250+ indicators is now reduced to 90 benchmarks against which Oregon’s progress is “graded.” The biannual Oregon Population Survey conducted by the Oregon Progress Board and Office of Economic Analysis and U.S. Census data provide the data for many of the Oregon Benchmarks indicators.

Governor's Budget Recommendation. In the current economic downturn facing most states, performance funding appears to be waning in higher education. Despite an uncertain future for performance funding, interest in accountability is increasing in the public higher education environment, and the call for performance measurement persists.

**New Indicator Development.** OUS completed data development for two “dataless” indicators of high interest to the Board, legislature, and business leaders – graduates completing internships and employer satisfaction.

***OUS-Approved Internships.*** Because of problems with consistent campus coding of internship data on the common SCARF database, OUS began collecting internship information through the survey of recent graduates. Subsequently, an inter-institutional committee (EOU, OIT, OSU, SOU, UO, PSU) developed criteria for an experience to be designated an “OUS-approved internship” and refined the categories for coding instructional courses, permitting more consistent internship data to be accessed from the SCARF database. Campuses with programs for students to gain relevant work experience that do not generate course credit are responsible for developing systems to add students to the appropriate SCARF field whether or not credit is awarded.<sup>2</sup> Data for internships should be available in October 2003 and should provide greater understanding as to whether this will be an acceptable way to capture the information. (*See Appendix D*)

***Employer Satisfaction.*** Surveying employers at the campus-level was new territory for most campuses, with the exception of Oregon Institute of Technology (OIT) and Southern Oregon University (SOU). Surveying employers at the system-level is new territory for OUS and other systems. One notable exception is OUS efforts to ascertain how well newly licensed teachers are doing in K-12 schools.<sup>3</sup> Universities are more likely to secure employer feedback at the program level and related to accreditation reviews.

Because of public and private investments to improve the number and quality of engineering and computer science graduates, the Chancellor's Office decided to survey employers who hired OUS graduates in these fields. The survey of employers of engineering and computer science graduates was outsourced to a business and communications research firm in 2002.

OUS will continue to explore options for surveying the satisfaction of employers by participating in the development of a pilot survey of employer satisfaction being developed by Noel-Levitz, a national vendor of student satisfaction questionnaires used by many campuses. This approach could possibly yield national norms from which to compare Oregon institutions with peers.

## **DAS Links to Benchmarks (2003)**

---

<sup>2</sup> Campuses are responsible for including in the SCARF database students who participate in non-credit bearing internships such as OSU's MECOP.

<sup>3</sup> Holly Zanville, Associate Vice Chancellor, OUS Academic Affairs, has led the effort to assess teacher performance from the perspective of the principal employer. Some of this work has been supported by a FIPSE grant and involves a statewide approach including “graduates” of public and private colleges/universities with teacher training programs.

The Oregon Progress Board was created in 1989 to develop and nurture a preferred vision for Oregon's future. The state's strategic plan was called *Oregon Shines*. The Progress Board uses benchmarks to measure and track the state's economic, social and environmental health.<sup>4</sup> What started out as 250+ indicators has been reduced to 90 benchmarks against which to measure Oregon's progress. The data for one-fourth of the indicators are provided by the biennial Oregon Population Survey conducted by the Oregon Progress Board and Office of Economic Analysis and U.S. Census data. The 2003 Report to the Legislature is available on-line at: [www.econ.state.or.us/opb/2003report/Report/2003BPR.pdf](http://www.econ.state.or.us/opb/2003report/Report/2003BPR.pdf).

In 2002, Harvard University's Institute for Government Innovations in the Kennedy School of Government honored the Oregon Progress Board for its innovation in the public sector. The Oregon Benchmarks model has been replicated by other states and has informed both practice and public policy debates at the federal level of government and within nonprofit and private sectors.

Once a direct report to the Governor, the Progress Board is now administratively placed within the Department of Administrative Services (DAS). Since its inception, efforts have been made to link the legislative budgetary process to benchmarks. The Department of Administrative Services required that the performance indicators and measures adopted by each state agency be linked to Oregon Benchmarks in the last two legislative sessions.

The benchmarks for which OUS is listed as a lead agency include:

- OBM 24 Percent of Oregon adults with some college
- OBM 26 Percent of Oregon adults that have a college degree (a) bachelor's degree (b) advanced degree
- OBM 4 Net Job Growth
- OBM 7 Industry research and development expenditures as a percentage of Gross State Product (GSP) (a) public/private (b) academia
- OBM 11 Per capita income as a percentage of the U.S. per capita income

During the two most recent legislative sessions, OUS has reviewed these five benchmarks, described the OUS measures and indicators related to the Oregon Benchmarks, and provided data demonstrating results in the Annual Budget Requests and legislative hearings. The Joint Ways and Means, Education Subcommittee in April 2003 reviewed each of the 25 indicators included

---

<sup>4</sup> Duncan Wyse was the Founding Executive Director and Jeff Tryens has served as the Executive Director for the past six years. The Governor appoints nine members, the President of the Senate appoints one Senator and the Speaker of the House appoints one Representative. Higher education has participated through the Governor's appointment of members including President Frohnmayer, Board of Higher Education members, and faculty experts. Each agency, including Oregon University System, appoints staff to maintain contact with the Oregon Progress Board.

in the OUS Budget Proposal for 2003-05. The 25 indicators reflect the longer list of indicators originally developed with the addition of indicators related to technology transfer and aligned with the OCKED initiative. (*See Appendix F.*) The Education Subcommittee requested and OUS agreed to give priority in the listing of student diversity, establish an indicator of serving low-income students, and develop cost effectiveness indicators. OUS will be developing these indicators in 2003-04.