



## State of Connecticut

### The Connecticut General Assembly

#### Task Force Concerning Outcomes-Based Financing

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#### Co-Chairpersons

Roberta Willis, State Representative  
Susan Weisselberg, Deputy Secretary, Office of Policy and Management

#### Meeting Minutes

Friday, October 30, 2015

10:00 A.M. in Room 1D of the LOB

The meeting was called to order by Roberta Willis at 10:13 a.m.

The following task force members/designees were present: Katherine Marsland, Barbara Richards, Lorraine Li, Lisa Sánchez, Kimberly James, Karen Birch, Nick Yoia, Estela Lopez, Susan Weisselberg, Sally Reis, Scott Jordan, Carl Lovitt, Anna Wasescha, Ed Klonoski, Jennifer Widness, Judith Resnick, Roberta Willis, Danté Bartolomeo, Gregg Haddad and Kerry Kelley.

Roberta Willis welcomed the members/designees.

Introductions were made.

Minutes were approved.

Sue Weisselberg reviewed the agenda.

Presentation by Kerry Kelley, Office of Policy and Management – [How the State Funds Higher Education Institutions.](#)

Lorraine Li asked if fringe benefits for all other agencies are included in their mix.

Kerry Kelley responded that they are all co-mingled in the non-functional section of the chart.

Lorraine Li asked for clarification that when Kelly said increases in the general fund support by 2.7% if that would be pretty much across the board for all the agencies.

Kerry Kelley clarified that they went back and apportioned out what proportion of fringe benefits for higher education are so the 2.7% gets added to the 4.3 and yields the 7%.

Lorraine Li inquired about the Board of Regents system office and Transform CSCU showing as \$23M, but then the fringe is \$.4M asking how that is possible.

Kerry Kelley explained that they are only providing fringe benefits to a small handful of employees who are attributed to that line item and that the rest of the Transform CSCU is for a variety of things that are redistributed and there is no fringe benefit support on that.

Dennis Jones asked for help understanding the general fund vs. the non-functional. He pointed out that UConn has a large amount of staff not funded by the general fund.

Scott Jordon responded that for every dollar of rescission the university is cut, it costs \$1.80.

Kate Marsland asked if that would apply to the CSCU system.

Kerry Kelley responded that it is true for all of public higher education.

Kate Marsland asked if the working group could be given a trend analysis to look at some of OPM's figures over time, including rescissions.

Kerry Kelley said that her office can put that together.

Kate Marsland said that one issue that is not reflected in the block grant appropriations is the increasing need of students.

Kerry Kelley commented that it is important to remember that this is the budgeting process, the resource allocation process, the way the funds are managed occurs in a very different way so this is a good time to discuss other ways to do resource allocation.

Aims McGuinness asked how roster is defined.

Kerry Kelley indicated that when her office refers to roster, they are referring to the roster of employees.

Lorraine Li wondered what the actual current fringe benefits are when the past underfunding is not included.

Kerry Kelley shared that it varies by retirement system and that she does not have that data at hand.

Lorraine Li said her understanding was that it is much lower for current, except for grant funded positions.

Kerry Kelley said the normal cost is significantly lower.

Scott Jordon said to clarify that when we talk about fringe benefits that he thinks we're talking about an overhead charge or a fringe benefit charge against the current employee but built into that amount is some allocation of the cost of a currently retired employee who is drawing a state pension, so the unfunded pension liability is being allocated to high ed as part of this overhead charge, this fringe charge and that is really a big drive how we get to an 80% fringe rate, which sounds high, but it includes health insurance and retirement benefits for the current employee and a charge for unfunded pension liability for prior employees.

Kerry Kelley indicated that information is correct.

Lorraine Li asked if it is true that the community colleges actually have a higher percentage because the salaries are significantly lower, so you have some fixed costs like health insurance would add to the fringe percentage.

Kerry Kelley responded that it is a percent of what the base salary is is how OPM does the charges for that given employee and then it depends on the retirement system the given employee is in, the composition of the family and costs for medical benefits, but an enormous portion of this is the past unfunded liabilities for retirees.

Sue Weisselberg added that is an issue not only for higher ed, but throughout the state for state employees.

Roberta Willis asked Kerry to explain how some of the fringe was included in the state university system.

Kerry Kelley replied that with the new modified tier, some employees are able to move from the alternative retirement system into a modified SER and as that occurs the potential increased cost for that employee is greater. She went on to say that some of those employees are borne by the block grant in the general fund and others are borne by the tuition fund so the institutions will have to contribute a greater percentage for those employees. Kerry commented that there is nothing funded directly in the block grant to assist in that transition, it still would occur through the Comptroller's fringe benefit account. She continued that the state and institutions have incurred additional costs and it hasn't ended, OPM is still waiting for the IRS letter and there is a certain time frame after that, so employees to continue to move between the systems.

Dennis Jones said that he's going to presume that because UConn is moving names on the roster from state funded to non-state funded means that the budget for the institution isn't managed as a single budget.

Scott Jordon said that they manage UConn's budget as a single budget and that the interaction with the state with regard to this issue with the roster is really one of the mechanics of how payroll gets allocated. He continued that half or less of their employees are allocated to state funding, all of UConn's employees are not on state funding so when there are cuts, they continue to pay that employee at least through that school year using tuition dollars, so part of the state's unfunded liability is being borne by students and their families.

Dennis Jones, President Emeritus, National Center for Higher Education Management Systems ([NCHEMS](#)) gave their presentation: [Connecticut Outcomes-Based Funding Model](#).

Kate Marsland asked for a basic point of clarification – asking how part-time students are captured in the FTE.

Dennis Jones responded that the FTE is an annualized FTE of credit hours produced over the physical year divided by 30, but it includes all produced credit hours.

Dennis Jones continued his presentation.

Roberta Willis let the task force members know that the Planning Commission for Higher Education has established a [working group on financial aid](#), and they are looking at the connection between the state goals and the way financial aid is distributed for public and private institutions of higher education.

Dennis Jones continued his presentation.

Scott Jordon said that UConn is at 11% of its operating budget going toward financial aid.

Dennis Jones continued his presentation.

Lorraine Li asked if NCHEMS has done any studies for Connecticut in particular, for the price sensitivity for the students as tuition goes up.

Dennis Jones replied that they have not done anything in Connecticut specifically, however, they do know from national studies that for those students who are in the upper levels of the socio-economic strata, when tuition goes up, they don't change the fact that they are going to go to college but they may change where they go to college. He continued that the bigger issue is that at the lower end of the socio-economic scale that when price goes up these students completely drop out of the system. Dennis commented that there is no reason to believe that students in Connecticut would behave any differently than students nationally.

Lorraine Li asked if, for instance, if there is a 10% change in the price, then more than 10% of the students would leave the system.

Dennis Jones responded that the number that was kicking around was for every \$100 of increase in tuition you might expect a 1% issue on tuition access. He continued that students on the low end of the socio-economic scale are very price sensitive.

Kate Marsland asked for a point of clarification – when discussing tuition, are fees included.

Dennis Jones responded yes, required fees by the majority of students, but not room and board.

Kate Marsland stated that other fees are increasing at a rate students cannot afford, and asked if there is a way to capture that.

Dennis Jones replied only by going to each institution, there is no national data that provides for that.

Dennis Jones continued his presentation.

Roberta Willis pointed out that the financial aid piece could be the reward for private institutions for increasing their productivity and for helping to reach the state goals.

Dennis Jones commented that back ground data from the Planning Commission reinforces that. He continued that the state cannot reach its goals without recognizing the contributions of the independent institutions.

Dennis Jones continued his presentation.

Sally Reiss said that UConn doesn't have just one mission; they are more than just a research university UConn is also a very good value for undergraduate education.

Kate Marsland suggested that they not think of the CSCU schools in a homogeneous way, there is a tremendous amount of research that happens on the state university campuses.

Dennis Jones continued his presentation.

Lorraine Li asked if when they are looking at the value of completion for community colleges, when you look at low-income and minority students, have they thought of looking at developmental students and/or ELS students.

Roberta Willis responded, absolutely. She continued that a metric they may want to consider is how many students go from remediation into a gateway course. She went on to say that this has been a part of their discussion and that she believes it is extremely worthwhile to have this conversation.

Dennis Jones reminded the Task Force members that the design principals are only those reflective of the legislation itself and the legislation also suggests that there can be more, but that this is the minimum. He continued that in other states the typical practice is to reward institutions by the number of students who complete a set amount of credits and in other states it's more typical to put in the metric of the number of students who complete the gateway course, not that complete developmental education.

Sue Weisselberg asked that members keep coming up with thoughts for additional metrics.

Roberta Willis stated that is the purpose of the task force, to design and recommend what the task force members think the metrics should be.

Dennis Jones commented that Aims McGuinness reminded him that one of the implementation principals that he includes is that you get into this process slowly with a lot of participation, you don't drop it off on folks and you don't implement this in a way that it causes big dislocations in institutional funding. He continued that the question that they have to be particularly cognizant of is the whole concern about moving money from one institution to another and it should be designed in a way to avoid some of those issues, this is about rewarding institutions so they get better at their task.

Carl Lovitt said that he'd like to underscore what Dennis just said, that the intent of the legislation is to reward institutions and to provide incentives to address state goals. He went on to say that his concern is that an unintended consequence of seeking to reward institutions for their accomplishments is that others are going to be disadvantaged for either remaining the same or possibly increasing less, so if we are all focusing more energies on addressing these goals, there could be positive movement in all directions, but if the pie remains the same, some institutions could actually be disadvantaged if they don't perform at the level of peer institutions.

Roberta Willis stated that this is not meant to be a reallocation of state funding. She continued that another possibility that the task force might look at is what the options are for incentivizing state goals, and helping to foster the schools that are moving ahead. Roberta stated that it is not their intent to penalize.

Gregg Haddad asked in states where this has happened, how have they accounted for a decline in state and federal funding. He went on to ask how the task force comes up with a basis that controls for some of the things that are happening external to the organization that have a huge impact on whether or not they are achieving their goals.

Dennis Jones responded that there is no really good answer to that. He continued that the state that has gone furthest down this path is Tennessee where close to 100% of their money is allocated on the basis of performance. Dennis said that Tennessee puts different weights in their system for the University of Tennessee Knoxville versus Middle Tennessee State. He continued that if state money goes down, it doesn't change the allocation mechanism at all, they have found that year to year, it is more stable than their old enrollment driven model. Dennis commented that it has empowered good presidents to do what they know they need to do.

Gregg Haddad said that one of the things he'll be looking at closely regarding recommendations that come out of the task force is whether or not the metrics are reliable and easy to measure. He then asked who decides whether the metrics have been met or not, is that left to the institutions themselves as a self-reporting function or is there any additional bureaucracy that's built in government that sits over the governing boards that tests whether or not the information provided or the formulas are in fact true.

Dennis Jones replied that most of the states that have gone down this path have, as part of their governing mechanism, something like the old Department of Higher Education. He went on to say that in Tennessee it's the Higher Education Coordinating Board, which is an entity that is charged with having the data, is trusted by all parts of government regarding the quality of data. Dennis commented that in Nevada, they have one system, so it's done at the system level. He continued that in Connecticut one of the problems is that Connecticut doesn't have either of those instances, so it falls to OPM or some group because Connecticut doesn't do this if there is no data base. Dennis said that the absence of a place in this state that regularly collects these kinds of data and is known to be trust worthy by decision makers on both sides of the aisle in both executive and legislative branches is something Connecticut has to worry about. He stated that there were infinite conversations about this during meetings of the [Planning Commission for Higher Education](#) and came to no complete decision.

Kate Marsland suggested that the task force includes something in the principals that addresses progress toward improved transfer and articulation.

Roberta Willis commented that from her perspective she would hope they would include actually achieving the goal because we've waited too long to see that happen.

Kate Marsland said that the boarder observation that she has is she sees a lot of how much and not much in terms of looking at better off operational at the student level and that she would like to see the quality issue addressed somehow.

Jenn Widness said that given Dennis' comment on the lack of a data system, she would like to put in a plug for [P20 WIN](#) that is operational and has no funding and would really appreciate some more support so that it can help on these types of issues to produce reports that are reliable and informative and can help with all this stuff and make people feel a little more comfortable on all of these issues. She went on to say that she knows it's a tough pill to swallow to consider adding public dollars to private colleges because we have to look at them to help accomplish the [goals](#) of the Planning Commission. Jenn went on to ask Dennis what the awards look like, how does it work for private colleges in particular.

Dennis Jones replied that Tennessee does not do private institutions; it is public sector only because they are much less dependent on the private sector. He went on to say that there are ways of doing something like Indiana does that says there is an explicit dollar value for every student who gets a baccalaureate degree. Dennis said the other approach is there is a finite pool; you get your share of the finite pool.

Jenn Widness asked if it was typically for in-state students.

Dennis Jones responded that he was going to raise that question and that there are a couple of approaches to that one because paying for graduating an out of state student has political problems associated with it, at the same time, presuming they stay in the state and contribute to the economy, there is real value in them.

Roberta Willis clarified that Dennis' comment about Tennessee does not include the privates in their metrics. She went on to say that in Connecticut they need to be a part of everything we do.

Nick Yoia said that Connecticut does have a high concentration of private schools and they confer the majority of the baccalaureate degrees in the state. He went on to say that private institutions bring a disproportionately large amount of out of state students to the state where there is a lot of potential for them to stay. He went on to say that this presents a unique opportunity for private institutions to help the state meet its educational goals.

Kimberly James asked if any thought has been given to who is going to be the statistical gatekeeper.

Sue Weisselberg replied that OPM receives a certain amount of data and the institutions have data as well. She continued that those questions and Gregg's questions are the type the task force needs to explore further.

Estela Lopez said that P20 WIN has a governing board that includes everybody, the privates, the public, the K-12 system and it has demonstrated already that it can provide valuable information and quality information.

Jenn Widness said that a lot of other states have used their data system to develop a report card every year.

Sue Weisselberg added that P20 WIN is expanding membership and participation. She continued that the task force will look at that and how this all ties together, including the Planning Commission. Sue said that a key point for today was to gather thoughts on additional metrics.

Roberta Willis commented that the challenge for having an entity to measure is a major challenge that the Planning Commission for Higher Education has been trying to grapple with because when the legislation was originally passed, there was a Department of Higher Education that did a report card and that does not exist anymore so the challenge that the chair of commission, Judy Resnick and Dennis and Aims are trying to figure out is what that entity would be because the Planning Commission does require that we get a report card or bench marks to see if the state is moving toward its goal and obviously conversation and the recommendations that this group makes will help to influence the Planning Commission moving ahead.

The meeting was adjourned at 12:00 p.m.