To the Graduate Council:

I am submitting herewith a dissertation written by Dewitt A. Latimer entitled "A Case Study of the Twenty-Year History of Performance Funding at The University of Memphis." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Education.

Dr. E. Grady Bogue, Major Professor

We have read this dissertation
and recommend its acceptance.

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Accepted for the Council:

Interim Vice Provost and
Dean of The Graduate School

A CASE STUDY OF THE TWENTY-YEAR HISTORY OF PERFORMANCE FUNDING AT THE UNIVERSITY OF MEMPHIS

A Dissertation

Presented for the

Doctor of Philosophy Degree

The University of Tennessee, Knoxville

Dewitt A. Latimer

May 2001

DEDICATION

This work is dedicated to my loving wife and children whose sacrifices made this long learning journey possible. I have much ground to make up for.

To my esteemed colleagues whose moral and intellectual support helped bring focus, finality, and yes, even humor to this endeavor.

And finally, to my parents, who gave me the very foundation and desire to learn what I have and achieve what I want.

In loving memory of Alexia B. "Doc" Latimer, Ph.D. Mom – I hope I did you proud.

ACKNOWLEDGEMENTS

The number of individuals that have supported me along my learning journey is immense. To those individuals at Clemson and Kent State, I am thankful for your support and encouragement along the way. I would also like to thank my colleagues and staff at The University of Tennessee for their understanding and willingness to help out while my mind was preoccupied with my educational pursuits. I cannot express how helpful Ms. Sally Bullard has been by transcribing countless tapes and by reviewing what must have seemed like an endless number of proofs.

I am very grateful to Dr. E. Grady Bogue for his unending encouragement and guidance, as well as the other members of my dissertation review committee, Drs. Gary Ubben, Jackie DeJonge, and Sharon Yarbrough. My educational experiences at The University of Tennessee and the contributions to my doctoral program by the faculty members have led to intellectual, professional, and personal growth. I also wish to thank the administrative and academic staff at The University of Memphis who participated in this research, without whom my data collection would not have been possible. I am very much appreciative of Dr. Dan Poje, Director of Academic Programs and Assessment at The University of Memphis.

And last, but not least, to my doctoral cohort, whose collective spirit and humor made this whole process bearable. To those who have preceded me, I am proud to join you. To those that have yet to finish, I will be waiting at the finish line cheering you on.

ABSTRACT

This case study was undertaken to provide a description of the impact of Tennessee's Performance Funding Policy on The University of Memphis over the past twenty years since its inception. Answers to three research questions were sought:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?
2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?
3. Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy were identified by selected University of Memphis administrative and academic personnel?

Prominent sources of information for this study included an extensive review of the prevailing body of literature, available and relevant documentation obtained from The University of Memphis and the Tennessee Higher Education Commission, seventeen interviews conducted with select past and present administrative and academic personnel associated with the institution, and observations of the attitudes and actions relating to the policy or this study while conducting the on-campus interviews.

Findings from the study include significant educational gains early in the policy's implementation, inconsistent and sporadic communication about the policy within the university community throughout its history, and from the mid 1990s on, evidence that

institutional response to the policy has become routine and unimportant and that the policy's existence has little effect on the strategic planning and educational decision making of the University.

Despite the policy's cited drawbacks, The University of Memphis feels the philosophical basis underpinning Tennessee's performance funding policy is sound, that the University stakeholders have a right towards public accountability, and that the performance funding policy is likely the best instrument to achieve that accountability.

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Chapter One

INTRODUCTION

The funding of American colleges and universities had its beginnings in Christian charity and the philanthropy of many wealthy citizens. Even though the early colonists could not support philanthropy to the degree that founded the colleges at Oxford and Cambridge, colonial colleges nonetheless turned to it as their primary method of support. Not every college, however, was fortunate enough to find benefactors able to sustain their ongoing needs. Moreover, even those fortuitous enough to find philanthropic support eventually exceeded available resources, thus forcing them to join others in seeking additional sources of funds. It was at this point that many states began to fill the financial gap created by expanding college needs, thus marking the beginning of involvement by state governments in state-sponsored higher education (Rudolph, 1990). Today, state governments continue to be primary sources of finance for public institutions of higher learning, providing approximately 33% of the $124 billion spent on public higher education in 1995-96 (Chronicle of Higher Education, 2000 Almanac Issue).

American higher education began to experience great growth starting in the 1950s as returning veterans supported by the GI Bill and later, the baby boom, began to swell the ranks of post-secondary students. States began to appropriate larger and larger sums of money to open new institutions and expand existing programs (NCES, 1998a; NCES, 1998b). It was during this period that elaborate formulas were developed by states to insure the equitable funding of higher education (Gross, 1979). The principle underlying such funding models, one easily understood by state legislators, was equivalent funding for equivalent programs.

Starting in the early 1980s, demands on state governments to fund criminal justice systems, Medicaid/welfare programs, and kindergarten through twelfth-grade education combined to increase the pressure as to where they would allocate their funds. With few exceptions, the result has led to a decline in the percentage of state budgets going towards higher education in most states (Layzell & Lyddon, 1996).

About the same time that state spending on higher education was coming under pressure, several national reports were released which ultimately had a major impact on the assessment of general education. Five of the most influential reports were *A Nation at Risk* (National Commission on Excellence in Education, 1983), *To Reclaim a Legacy* (National Endowment for the Humanities, 1984), *Involvement in Learning* (National Institute for Education, 1984), *Integrity in the College Curriculum* (Association of American Colleges, 1985), and *Time for Results* (National Governors Association, 1986). The first report, *A Nation at Risk*, was a catalyst for undergraduate reform, assessment of higher education performance, improved efforts for quality, and increased accountability. The proceeding reports emphasized the need for higher education to assess knowledge, skills, attitudes, and the basic design of academic and student services programs. These reports raised a concern that American higher education was not showing evidence of its coherence, purpose, or success (Astin, 1991; Morrell, 1996).

Shortly after the assessment movement began within higher education, pressure to reform higher education to make it more efficient and accountable began to emanate from state legislative bodies and governors, state oversight agencies for (higher) education, federal government, and regional accrediting agencies (Bogue, Creech, & Folger, 1993).

Thus, it was the confluence of these three phenomenon, the prevalence of formula funding, a call for greater assessment, and a movement towards greater accountability, that laid the foundation for new funding allocation methods which tie performance in certain areas to increased levels of state funding.

First among those states was Tennessee, which implemented performance-based funding in late 1970s (Bogue, 1977; Bogue, 1980). In many respects, Tennessee was unique in that it was a voluntary program conceived in the mid 1970s that predated by as much as five to seven years the quality movement in America and the subsequent emergence of legislated performance funding programs in other states. By mid-1998, thirteen states, including Tennessee, had implemented some form of performance-based funding. Moreover, another twenty-one states have implemented performance-based budgeting. Seven states (Colorado, Florida, Illinois, Indiana, Oklahoma, South Dakota, and Washington) are common to both groups by having both performance funding and performance budgeting for their respective systems of public higher education (Burke & Serban, 1998a).

This movement to tie funds to performance, however, may have profound implications for how public institutions operate in the future. The intent of performance funding policy is well understood and documented. However, little is known about its successes or failures nor the unintended consequences of this public policy.

Problem Statement

The State of Tennessee has the longest running performance funding policy in the United States. This policy has evolved over a twenty-five year period and continues to function today as a model for other states considering implementation of performance funding measures. However, no formal evaluation of the policy has been undertaken to determine if the policy has provided an impetus for institutions within the State to truly seek quality or if these institutions are merely performing the necessary steps to obtain the funding associated with the policy. Nor has a formal evaluation been undertaken to examine if there are any unintended consequences of this funding policy. Thus, the question that must be raised is what effect has this policy had over its twenty-year implementation at one of the major universities in Tennessee?

The Purpose and Research Questions

The purpose of this study is to develop a twenty-year perspective of the implementation of the Tennessee Performance Funding Project at The University of Memphis and its subsequent impact upon the university. The study was guided by the following research questions:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?
2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?

3. Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?

Significance

With the continuance of the quality movement that stated during the late twentieth-century, taxpayers across the United States are unlikely to accept forever the proposition that quality should count in everything except in the performance of their state-run systems of higher education. Public higher education is too important to states and their citizens to fund only inputs while ignoring educational outcomes. By mid-1998, thirty-four states had come to the conclusion that performance must count in deciding the allocation of public funds for their respective colleges and universities (Burke & Serban, 1998a). It seems only a matter of time before the remaining states reach the same conclusion.

Performance funding has been studied very little, however, with the literature being mixed on its nature (Burke & Serban, 1997). Folger suggested that performance or incentive funding initiatives have had some success, most notably in Tennessee (as cited in Layzell & Caruthers, 1995). However, while Tennessee's policy is being held up as a model to emulate, no formal study has ever been undertaken as to the policy's true successes nor any unintended consequences that it may have had. By studying in-depth, at the campus level, the effects of the longest running performance funding policy in the nation, other campuses seeking to implement a similar policy may capitalize on the positives of what The University of Memphis and the State of Tennessee have learned, while avoiding the negatives.

This study will also benefit the Tennessee Higher Education Commission in future planning by providing evidence of actual effects of Tennessee's performance funding policy as implemented at The University of Memphis. When combined with similar, concurrent studies being undertaken at The University of Tennessee, Knoxville, Tennessee Technological University, Walters State Community College, Volunteer State Community College, and the Tennessee Higher Education Commission, a significant and sizable contribution will be made to the prevailing body of literature on performance-based funding of public higher education.

Delimitations

By design, the study only examined performance funding in the State of Tennessee and its implementation, and subsequent effect, at The University of Memphis. The study evaluated the twenty-year history of Tennessee performance funding initiative by the review of the pertinent literature and by the analysis of available documentation and data obtained from the Tennessee Higher Education Commission (THEC) and The University of Memphis. The study took place over a several month period during the spring and summer of 2000. Only past and present university administrators and faculty – those who likely had the most knowledge of the policy and it subsequent effect, were interviewed.

Limitations

Over the twenty-year implementation period of performance funding at The University of Memphis, it is important to realize that there have been many personnel changes at all levels of involvement with the performance-funding project. Not all the individuals who have left the university were reachable.

The researcher worked under the assumptions that those individuals being interviewed were truthful and conveyed to the best of their knowledge their impressions regarding performance funding at The University of Memphis. Indeed, since the period of review is relatively long, an individual's ability to recall exact details of their experiences may be problematic, especially for those involved early in the project. Since changes in the presidency and other senior officers of the university can dramatically alter the climate within a university, the information gained and conclusions drawn through this study are not meant to predict the university's future response to this policy.

The threat to internal validity caused by interviewer bias and interpretation is certainly present with any study utilizing interviews as a data collection method. An interview protocol was established to address and minimize this issue.

Purposeful selection of initial interviewees also poses risks to internal validity. Because the nature and scope of the research prevents a large and extensive interview pool, every attempt was taken to ensure that all opinions, dissenting or otherwise, were heard.

Voluntary participation in the study also brings with it the possibility of low interview participation. A cover letter from Dr. E. Grady Bogue, one of the original principals behind Tennessee's Performance Funding Project in 1976 (Bogue & Troutt, 1977), stressed the value of their participation to this historical study given his personal connection to the Performance Funding Project in Tennessee. This cover letter along with the commitment to confidentiality was meant to enhance the willingness of leaders to be interviewed.

Maintenance, availability, and extensiveness of records of past documentation affected data collection considerably. Documentation from the 1980s concerning performance funding was thought to exist but not easily uncovered within the constraints cited above.

The availability of key individuals for interview affected the breadth of the interview data. Two individuals – the president from 1991-2000 and the vice president for Business and Finance from the mid 1960s to his departure also in 2000 did not make themselves available to be interviewed despite repeated attempts by the researcher to do so.

The fact that this study focused solely on performance funding at The University of Memphis limits the generalizability of findings to other schools in the State of Tennessee and to other states as a whole. While the Tennessee Performance Funding Project may not be exactly replicated and implemented in other states, the concepts, design, and suggestions for improvement may prove to be beneficial for those leaders who are seeking information on implementing a performance funding program in their own state.

Operational Definitions

The following terms are used in this study and are defined here.

Accountability – in the context of higher education, may be defined as evidence offered on the extent of which an institution achieved it missions and goals, with a particular accent on education outcomes.

Formula Funding – an allocation policy and method that prescribes the amount of funding an institution should receive based on quantifiable metrics like the level of student enrollment, degree programs in which students are enrolled, age of facilities, cost of living factors, and institution type (research, comprehensive, etc.).

Performance-based Budgeting – a method by which states take into consideration results on performance indicators as a factor in establishing the institutional budget (Burke & Serban, 1997).

Performance-based Funding – a method by which states tie extra funds directly to the performance results on specific indicators (Burke & Serban, 1997).

Program Evaluation – in the context of higher education, the systematic determination of the merit or worth of an educational program or function.

Performance Measure – generally prescribed as an indicator of the efficiency or effectiveness of a program as a function of the program's inputs, processes, and outcomes.

THEC – refers to the Tennessee Higher Education Commission

The Tennessee Performance Funding Project – first conceptualized in the mid 1970s and implemented in 1979, this project laid the groundwork for the current performance funding policy used by THEC today.

Summary

American states have been providing financial assistance to higher education institutions since the early colonial days. Up until the late twentieth-century, states have funded colleges and universities without requiring much in the way of public accountability of their outcomes. However, starting in the mid-1980s, demands to fund state criminal justice systems, Medicaid requirements, and kindergarten through twelfth-grade education have combined with the quality movement and have led for calls to reform the U.S. system of public higher education. Several states responded with formulas for funding tied not to enrollment data, but to the successful attainment of certain educational outcomes as stipulated by state regulatory agencies. First among those states was Tennessee whose voluntary implementation of performance funding for public higher education in 1979 set the standard for other states to follow.

It has been twenty years since Tennessee first implemented performance funding for its public universities, colleges, and technical schools. Yet few studies have been implemented which take a holistic look at how The Tennessee Performance Funding Project has been implemented at various state campuses, its impact on the campus, and how campus leadership is changing the way it does business in response to it. Since Tennessee's policy is being used in many cases as a model to study and emulate, it is important for us to understand the policy's true successes and failures or any unintended consequences that it may have had.

Thus, the purpose of this study was to develop a twenty-year perspective of the Tennessee Performance Funding Project on The University of Memphis campus in an effort to better understand these issues. The study was guided by the following research questions:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?
2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?
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CHAPTER II

REVIEW OF THE LITERATURE

The previous chapter introduced the purpose of this study, which was to conduct a case study evaluation of the impact of the Tennessee Performance Funding Policy at the University of Memphis over its twenty-year history.

This chapter summarizes research and literature related to that purpose. The first section of this chapter includes a historical review of higher education funding capped off with a detailed discussion of formula funding – a policy instrument many states use today to help establish state appropriations for higher education. The second section deals with the education assessment and ensuing accountability movement within higher education, which in many respects, were the catalyst behind performance funding. Finally, the third section contains a historical review of performance funding, a detailed discussion of The Tennessee Performance Funding Project, and finally a section addressing where performance funding is heading as we begin a new millennium.

The literature review was conducted through an examination of books, articles, dissertations, on-line databases, and the World Wide Web. A search of ERIC, a database on educational materials from the Educational Resources Information Center, was conducted. Two files were searched, Research in Education and Current Index to Journals in Education. Keywords used in the search included: performance funding; performance budgeting; Tennessee Performance Funding Project; performance indicators; benchmarks; instructional quality; faculty (higher education); performance review; and accreditation. Moreover, web searches were made using Altavista.com and Google.com using the same keywords mentioned above.

Personal contact was made with Dr. E. Grady Bogue of The University of Tennessee, Knoxville, who was the original author of Tennessee's performance funding initiative. Finally, bibliographies provided an excellent source of past studies and research on performance funding and other related topics.

Funding of Public Higher Education

American higher education has been in existence for nearly four centuries now. For the first two hundred years or so of its existence, the method of funding higher education remained relatively simple and unchanged. During the twentieth century, especially the latter half, funding of higher education began to change substantially, both in magnitude and complexity as well as in the source of those funds.

Starting with the post-World War II era, appropriations for public higher education generally have come from five sources: pubic funds appropriated by the state, tuition and fees charged to the student, federal funds primarily in the form of research grants and contracts, institutional sales and service, and finally private and corporate gifts. The percentage that each of these five areas has begun to change over the last fifteen to twenty years with the student paying a larger share, state spending dropping, and institutional sales and private gifts playing an ever increasing role in the survivability of institutions (Breneman & Nelson, 1996; Layzell & Lyddon, 1996; Stine, 1996). One can refer to Table 1 to examine the trend from 1986 through 1995 (NCES, 1995).

Table 1 – Percent of Current Funds Revenues for Public Higher Education by Source

Source	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Tuition and fees	14.7	15.0	15.2	15.5	16.1	17.1	18.0	18.4	18.4
Federal Government	10.4	10.3	10.3	10.3	10.3	10.6	10.8	11.0	11.1
State governments	43.7	43.4	42.5	41.7	40.3	38.3	36.8	35.9	35.9
Local governments	3.6	3.7	3.7	3.7	3.7	3.7	3.7	4.0	4.0
Private gifts, grants, and contracts	3.3	3.4	3.6	3.8	3.8	4.0	4.0	4.0	4.0
Endowment income	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Sales and services	21.2	21.2	21.5	21.7	22.7	23.2	23.4	23.4	23.1
Other sources	2.6	2.6	2.8	2.7	2.6	2.6	2.7	2.7	3.1
Total Current Fund Revenues	100	100	100	100	100	100	100	100	100

Adapted from U.S. Department of Education. National Center for Education Statistics. Integrated Postsecondary Education Data System, "Finance" surveys (1987-1995).

Traditionally, funding for higher education at the state level, from the early 1900s through the late 1970s, was appropriated to open new colleges and universities, enhance colleges' facilities and offerings, and maintain established institutions (Goodchild, 1989). Starting in the late 1970s, state higher education policy centered on building new colleges, particularly community colleges, and expanding higher education opportunities to provide equity in access (Bogue, Creech, & Folger, 1993).

State governments have had difficulty of late as they grappled with fiscal problems and increasing demands for resources. The demands to fund the criminal justice system, Medicaid requirements, and kindergarten through twelfth-grade education have combined to increase the pressure on states as to where they will allocate their funds (Layzell & Lyddon, 1996). The result has been a reduction in financial support to higher education in some states. In 1990, states provided fewer appropriations for higher education than they had the year before, the first time in over three decades (Jaschik, 1990). Even though their share of funding has declined, state governments continue to be primary sources of finance for institutions of higher learning, providing approximately 33% of the $124 billion spent on public higher education in 1995-1996. Moreover, state appropriations account for more than 36% of the total revenues for all state-run public institutions (Chronicle Almanac, 2001).

In most states today, methods to fund public higher education have become quite complex processes. Examples of commonly used funding methods include techniques involving formula driven approaches, incremental program justification approaches, categorical funding approaches, peer funding, zero-based budgeting, and incentive or performance funding approaches to name a few (Caruthers & Marks, 1994, Bogue & Aper, 2000). This variety is warranted in part by the varying uses states make of funding policy and the differing objectives achieved by them. Funding methods have become more complex over the years as they have continuously evolved to meet multiple objectives. In many cases, the new methods did not replace the older methods but instead were modified to reflect additional goals and public policy (Garrick, 1998).

Table 2 depicts the evolution of the objectives of funding methods for the latter half of the twentieth century. The object of funding in the 1950s was adequacy – that is,

Table 2 – Evolution of the Objectives of Funding Methods

Adequacy	⇨	Growth	⇨	Equity	⇨	Stability, Assessment, Quality	⇨	Stability, Accountability, Reform
1950s	⇨	1960s	⇨	1970s	⇨	1980s	⇨	1990s

(Caruthers & Marks, 1994)

institutions needed predictable and adequate funds to support their programs. The 1960s saw the focus shift towards growth as the first of the post-war baby boomers began to show up on campuses. In increasingly larger numbers, this generation began to stretch the limits and resources of most college campuses and funding policies shifted towards providing the massive capital and operational budgets needed to adequately support campuses during this period of rapid growth. During this period, the size of an institution's budget was often proportional to the lobbying power of its president and the size of its previous year's budget (Bogue & Aper, 2000). Typically, the state's flagship public research institution was first at the feeding trough with the balance of higher education allocations going to the state's remaining two and four-year institutions.

Even though the presidents of all campuses continued lobbying state legislators for increasing funds going into the 1970s, it was the presidents of the smaller, and frequently newer, two and four-year institutions who also began to vigorously lobby for a more equitable distribution of those funds. In response, many states created a state coordinating body or commission to handle the affairs of higher education and subsequently lessen the political pressures being placed on governors and legislators alike (Bogue, 1982). Formula funding, addressed in greater detail in the next section, was a policy instrument that many of these new state commissions turned to as an unbiased means of providing adequate funding to the state's public institutions.

The 1980s saw competition for scarce public dollars grow fiercer as additional pressures were placed upon state tax revenues. Moreover, the quality movement began in earnest in all aspects of American life during the 1980s, from automobiles to clothing to education. Thus, the funding goals during the 1980s were again modified to provide a stable and predictable funding base while adding assessment incentives to document improvements in student outcomes.

Finally, the 1990s brought with it calls for greater accountability in higher education and funding policies were once again modified to bring about reform to open up the hallowed walls of academia to greater public scrutiny.

As noted previously, many state higher education commissions implemented formula funding as a means of promoting equitable and adequate funding for the state's public institutions. Formula funding continues today as the policy of choice as an aid in determining state higher education appropriations. So prominent is its role that a deeper discussion is warranted before the topic of performance funding is introduced in the next section.

Formula Funding

State formula budgeting in higher education can be traced to 1951, when only a handful of states (California, Indiana, Oklahoma, and Texas) were developing or utilizing a formula approach (Gross, 1979). Yet Ahumada (1996) informed us that the origins of the formula budgeting strategy can be found in much earlier developments in public budgeting, namely, in the drive toward greater efficiency or what is referred to as the "management movement in budgeting." The most prolific adoption of state formula budgets, however, occurred between 1963 and 1973. In that decade alone, the number of states using formulas increased from six to twenty-five (Gross, 1979).

In general, formula funding was deployed by state coordinating bodies for four main reasons (Bogue & Aper, 2000):

1. As a means for presenting the reasonable needs of higher education.
2. For the promotion of the equitable allocation of those funds.
3. To recognize the differences in the missions of individual campuses.
4. To accomplish statewide goals.

The principle underlying such funding models, one easily understood by state legislators, is equivalent funding for equivalent programs. The actual mechanics of formula funding, however, vary from state to state.

Formula funding can be thought of as the product of two double-entry matrices as shown in Table 3. The first matrix represents the level of instructional activities, usually represented by course credit hour production, by the level of instruction (baccalaureate, masters, doctoral, professional), and finally by the program field of study (e.g. history, accounting, engineering, etc.). The second matrix represents the cost of delivering a unit of instruction by degree level and program field. These costs may be derived from actual cost studies or comparison studies with other states. They include the cost of wages, instructional support facilities and other specialized equipment needs, age and complexity of the physical plant, and cost of living factors to name a few.

Such a process allows for the nuances of various degree programs and universities to be recognized and incorporated into their funding appropriations. For example, one would expect the cost of delivering a credit hour of instruction at the baccalaureate level to be less than that of a doctoral program or professional school. One would also accept

Table 3 – A Basic Model of Institutional Formula Funding

Level of Instruction		Program Field of Study					Program Field of Study					
	Bac.	SCH	SCH	SCH	SCH		$	$	$	$		
Level of Instruction	Masters	SCH	SCH	SCH	SCH	X	$	$	$	$	=	Basic Budget Projection
	Doctoral	SCH	SCH	SCH	SCH		$	$	$	$		
	Prof.	SCH	SCH	SCH	SCH		$	$	$	$		

(Bogue & Aper, 2000)

that delivering a credit hour in an English program to be less than that of a capital-intensive engineering program. Or the costs of running a major research university, ranging from the costs of attracting and paying top faculty to supporting a large research library, would be more than that of a two-year community college. Campuses with many older buildings require more to maintain and run than newer campuses. Campuses located in or around large cities cost more to operate than those located in rural settings. Thus, the principle of equity and the diversity of institutional mission are recognized by using a funding formula driven by these factors and others.

There are some notable weaknesses to formula funding. For example, enrollment-driven funding tends to emphasize growth as a measure of achievement. In order for an institution to obtain more funding dollars, they must find ways to increase their enrollment. This is not always harmonious with an institution's desire to improve the quality of its instructional programs. In fact, enrollment-based models fund mediocre programs, at the same level, as better programs providing even less incentive for institutions to spend precious dollars trying to improve the quality of its instructional programs (Bogue, 1982).

From Assessment to Accountability

During the same period that state spending on higher education was coming under pressure in the 1980s, several national reports were released which ultimately had a major impact on the assessment of general education. Five of the most influential reports were A Nation at Risk (National Commission on Excellence in Education, 1983), To Reclaim a Legacy (National Endowment for the Humanities, 1984), Involvement in Learning (National Institute for Education, 1984), Integrity in the College Curriculum (Association of American Colleges, 1985), and Time for Results (National Governors Association, 1986). The first report, A Nation at Risk, was a catalyst for undergraduate reform, assessment of higher education performance, improved efforts for quality, and increased accountability. The proceeding reports emphasized the need for higher education to assess knowledge, skills, attitudes, and the basic design of academic and student services programs. These reports raised a concern that American higher education was not showing evidence of its coherence, purpose, or success (Astin, 1991; Morrell, 1996).

State efforts to promote assessment of student learning began as early as the late 1970s, with most states joining the movement by the late 1980s. By 1986, the governors of all fifty states called upon public institutions across the U.S. to greatly strengthen and expand their assessment programs (NGA, 1986). Two years later, a follow up indicated that a vast majority of states had indeed embarked on some major effort to expand assessment activities in public institutions (NGA, 1988).

The Accountability Movement

In addition to these high-profile writings, pressure to improve higher education outcomes and make it more accountable to the public was also emanating from state oversight agencies for (higher) education, state legislative bodies and governors, the Federal government, and regional accrediting agencies.

The difference between earlier assessment efforts and the more recent accountability policies of the 1990s, however, lies in their purposes and their processes. Earlier assessment efforts were decentralized and institution-based, thus complementing the heritage of institutional autonomy. Colleges and universities were encouraged to develop evaluation measures unique to their missions, permitting measurement over time but not inter-institutional comparison. This process is still ongoing in most states, where it has been useful in promoting student learning assessment and improvement in academic programs (Ruppert, 1994).

New accountability policies, on the other hand, reflect the view that higher education needs to be more responsive to state concerns and more publicly accountable to a broader constituency that includes students, employers, parents, and the general public. While accountability requirements have built upon, rather than replaced earlier assessment efforts, the added element of publicly reporting on a set of performance indicators gives those with a stake in higher education a better sense of what is being achieved with public resources. An undesirable side effect of increased accountability, at least from the perspective of post-secondary institutions, is a loss of institutional autonomy. Thus, one of the most cherished and longstanding traditions of U.S. higher education is quickly being eroded by the loss of public trust in their ability to educate the students in which they are entrusted to their care.

It was the confluence of these three distinct phenomena, the prevalence of formula funding, a call for greater assessment, and a movement towards greater accountability, that laid the foundation for new funding allocation methods which tie performance in certain areas to increased levels of state funding. This linkage is often referred to as performance-based funding or performance-based budgeting.

Performance Funding

Performance funding is defined as the allocation of resources to achieve specific objectives based on program goals and measured results (Carter, 1994). Performance funding directly links at least part of the funding for public higher education to achieved, rather than promised, results in areas specifically identified by states as important. Performance funding has two underlying purposes: external accountability and institutional improvement (Serban, 1997). Carter (1994) identified several important characteristics of a performance funding system. These characteristics include:

1. Identifies measurable objectives or major purposes for which funds are allocated.
2. Uses common criteria that allow for the comparison of programs and reports past performance.
3. Rewards achievement and penalizes failure while allowing management flexibility in reallocating money as needed.

4. Incorporates program evaluations based on credible data that can be independently audited.

A revealing statement that may have predicted what was yet to come for funding higher education was made in a 1970 report by Lawrence and Patterson entitled *The Outputs of Higher Education: Their Identification, Measurement and Evaluation.* The statement reads, "Our mandate is clear…we are going to have to prove that we deserve the dollars spent on higher education and justify our asking for each additional dollar" (Lawrence & Patterson, 1970).

This call-to-arms still echoes today throughout higher education with an plethora of opinions and mandates to more effectively document the value and accomplishments of colleges and universities (Borden & Bottrill, 1994).

While many states continue to fund higher education based upon enrollment driven formulas, numerous states have implemented some elements of performance funding. "State budgetary constraints and an increased interest in accountability and programmatic outcomes for state systems of higher education among state policy-makers in recent years have brought about a renewed interest in the uses and implications of performance budgeting/handing" (Layzell & Caruthers, 1995, p. 1).

With the notable exception of Tennessee, the pressure to implement performance funding was exerted not by officials within higher education, but primarily by external concerns expressed by legislators, state officials, and public constituencies (Burke, 1997; Layzell & Caruthers, 1995; Ruppert, 1994). This intense pressure "seems to have been fueled by the discontent of state policy makers with traditional budgeting and apparent failure of reforms such as student assessment and performance reporting to significantly improve quality and increase accountability, efficiency, and productivity of higher education" (Serban, 1997, p.7).

As funds for all agencies became tighter and as disturbing reports were heard regarding outputs from higher education, more attention was given to the accountability of all agencies, including higher education. Convinced that colleges and universities would have to do more with less, policy makers have tried to promote changes by introducing new accountability measures designed to increase efficiency and raise productivity in one of America's largest and most important industries. Legislation was being passed in numerous states mandating performance standards in the colleges or requiring boards to coordinate efforts to mandate specified performance standards. Albright and Gilleland summarize policy makers' messages to higher education by saying that "while higher education is valued and appreciated, budget realities have all but eliminated opportunity for significant discretionary budget increases. This comes at a time that global economic competition is creating a growing demand for a well-trained workforce. In effect, policy makers are saying that education must produce a better product in real terms with the same amount of money, or less" (Albright, 1994, p.22).

Thus, confidence in higher education has waned as institutions shifted dollars out of instruction and into other activities (Epper, 1994). A combination of real trends in higher education and perceptions that funds were being directed away from instructional purposes damaged higher education's image. Consequently, states were becoming more interested in how public dollars were being spent in higher education (Ruppert, 1994).

"The increased interest in accountability also is connected to the public's diminishing trust in higher education-state leaders feel that higher education's priorities do not correspond to public priorities" (Bogue et al., 1993, p.4).

Performance Funding Origins

"In 1979 Tennessee became the first state to base a portion of state funding for higher education not upon student headcount, but on institutional performance, particularly in enhancing student learning outcomes" (Banta, Rudolph, Van Dyke, & Fisher, 1996, p.23).

In many respects, Tennessee was unique in that it was a voluntary program that predated by as much as five to seven years the quality movement and the subsequent emergence of legislated performance-funding programs in other states. Tennessee's goal-oriented performance funding model has since become a prototype for other states to study and even directly model (Bogue & Troutt, 1977; Gaither & et al., 1994). It was not until the mid to late 1980s that performance funding gained notoriety and momentum as a method of allocating funds to higher education. But conformity is far from total. Texas is among several states that have studied, proposed, and rejected performance funding – largely because of a lack of support from state legislators, combined with cumbersome reporting requirements, and reduced institutional autonomy (Albright 1997). On the other hand, the State of South Carolina has adopted measures that tie allocation of the state's entire budget for public higher education to institutional performance against 37 specific indicators (Burke and Serban, 1998).

There are several basic types of performance funding models. Tennessee's model, for instance, is non-punitive in that it does not take away from an institution's base budget but can add up to 5.45% on top of it's formula-driven appropriation. Another notable characteristic of Tennessee's performance funding model is that it is non-competitive. All institutions can access these supplemental "bonus" funds. If one fails to obtain its share of the supplementary funds, the others do not benefit. Other states may deploy more punitive models in that you must score well in order to get the funds that you would have been afforded otherwise under normal formula funding. South Carolina is an extreme example in that 100% of higher education appropriations are tied to performance measures.

Performance Funding in Tennessee

Performance Funding in Tennessee was designed to determine if a portion of the state's appropriation to higher education could be based on performance criteria rather than on the traditional enrollment basis. Project director Dr. E. Grady Bogue and assistant project director Dr. William Troutt led the primary effort to implement The Tennessee Performance Funding Project, as it would later be known. Opinions, advice, criticism, praise, and evaluation were sought and received by advisory panels both internal and external to the state, institutional personnel, and legislators. These advisory panels also led the design of the policy.

The project rested on a number of debatable assumptions (Bogue & Troutt, 1977):

1. That a complement to the current allocation formula could result in improved instructional performance; i.e., that the behavior of a public sector agency can be affected by economic reinforcement.
2. That instructional effectiveness can be measured in terms of student outcomes.
3. That some instructional outcomes can be quantitatively described.
4. That acceptable measures of institutional-wide instructional performance can be developed or identified and agreed upon by both institutions and a state-level agency.
5. That in a society with diffused aims, an institution can reach consensus on its fundamental purposes and make them explicit.
6. That institutions fare better when their purposes are explicit.
7. That rewarding a public sector agency for effective performance would be acceptable public policy.
8. That performance funding should reward achievement rather than process.
9. That performance funding should be for demonstrated performance, not proposed or promised performance.
10. That current allocation formulae impede institutional diversity.

This program was funded by the Kellogg and Ford Foundations, the Fund for the Improvement of Post-Secondary Education (FIPSE), and an anonymous Tennessee foundation, all totaling $550,000. Another key objective was to develop a plan to gain the support and commitment of the higher education community and to create a partnership plan to include all constituents, including legislative and community support (Morrison, 1995).

The Tennessee Performance Funding Project's goal as defined by the Tennessee Higher Education Commission is, "...to stimulate instructional improvement and student learning as institutions carry out their respective missions. Performance Funding is an incentive for meritorious institutional performance and provides the citizens of Tennessee, the Executive Branch of state government, the Legislature, education officials, and faculty with a means of assessing the progress of publicly funded higher education. By encouraging institutional excellence the Performance Funding Program contributes to continuing public support of higher education and complements academic planning, program improvement, and student learning" (THEC, 1990, p.1).

It is important to note that the Tennessee program was never intended to replace formula-driven funding allocations. Thus, to achieve their goal, THEC required participating institutions to:

1. Develop a set of performance indicators that incorporated the identity of the institution and also considered the statewide goal of "improved instructional effectiveness."
2. Collect initial performance data on the indicators developed and propose methods of rewarding performance through the appropriation process.

The results from the initial program of 12 two-year pilot studies showed a mixed level of achievement. A significant positive result was a consistently high level of institutional activity and commitment. Many of the operating assumptions developed by the participating institutions, however, were not considered financially or politically viable (Morrison, 1995).

Based on data from the twelve pilot projects, THEC adopted the first performance funding proposal in 1978. The Governor of the state did not support the first proposal, however, and a new plan was developed which addressed the following concerns:

1. That the state's institutions not be placed in unfair competition with each other.
2. That the performance criteria reflect the diversity of institutional missions in the state (i.e., an institution should be evaluated in terms of the achievement of its own unique mission).
3. That the size of the financial incentive be large enough to attract the attention of each institution but not so large as to detract from the formula-driven base funding.

The revised proposal was approved and implemented in the fall appropriations cycle of 1979 (Bogue, 1980; Bogue & Troutt, 1977). Table 4 summarizes various milestones of Tennessee performance funding policy.

The current Tennessee performance funding plan provides a guaranteed base funding as well as performance funding to an institution based on improvement over its past performance. Goals that are unique to each institution are established for the performance indicators. Institutions that demonstrate achievement of these goals earn

Table 4 – Tennessee Performance Funding Project Milestones

Year(s)	Activity
1974-75	▪ THEC committed to the Tennessee Performance Funding Project o Dr. E. Grady Bogue and Dr. William E. Troutt appointed Project Director and Assistant Project Director respectively. ▪ Proposal to the Fund for the Improvement of Postsecondary Education funded in the amount of $165,700 o Grant used to continue planning and implementation of the project. ▪ State and National Advisory Panels created o Assist in further project planning o Test ideas of staff and contribute their own o Continually evaluate the project.
1975-76	▪ Additional funding for project was secured o Anonymous Foundation $75,000 o W.K. Kellogg Foundation $250,000 o The Ford Foundation $64,400
1976-77	▪ Campus Pilot Projects o First year involved development of institutional performance indicators. o Second year involved data acquisition and "exploration of funding policies that might promote and reward performance effectiveness in instruction (Bogue and Troutt, 1980, p. 15). o 21 of 23 public institutions submitted pilot project proposals. 11 were selected to participate comprised of 2 research universities, six regional universities, and three community colleges.
1977-78	▪ Evaluation of promising performance funding projects for the state through the review of the data derived from the institutional performance indicators submitted by the institutions completing pilot projects o National invitation conference held in Nashville. o Project report completed and sent to interested parties.
1978-79	▪ THEC adopted first performance funding proposal. (August 28, 1978)The Governor of the state did not support the first proposal, but the second proposal was implemented in the fall appropriations cycle of 1979.
1999	▪ Mid-cycle review of indicators "in an effort to strengthen the standards and align the program with the Higher Education Master Planning cycle" to be effective for 5-year cycle beginning 2000.

(Adapted from Hall, 2001, Bogue and Troutt, 1980, and Bogue and Troutt, 1977) incentive funds. When the program began in 1979 the incentive fund was 2% of the overall higher education base budget. By 1983 the level of funding had increased to 5.00%, and by 1994, the level increased to its current level of 5.45% – an amount that can represent a significant dollar impact. As can been seen from Table 5, The University of Memphis received $4,023,228 in fiscal year 1995.

During the past twenty years, approximately $343 million have been allocated to Tennessee public institutions of higher education based on performance funding policy. Of that, $48.75 million has been awarded to The University of Memphis. Proponents of the Tennessee plan would argue that both the institution and the state are winners. The institution benefits from the increased funding, while the state benefits by getting more of what it wants from the institution in terms of quality.

<u>Tennessee Performance Indicators</u>

A key component in performance plans is the indicators. Much discussion has focused on which indicators are appropriate and the quantity of indicators required. The Tennessee plan has struggled with these issues. Tennessee identified five indicators in 1979:

1. Program accreditation- this indicator provided an incentive for institutions to achieve program accreditation. Performance is defined as the percentage of programs receiving accreditation.
2. Performance on major field tests- this indicator provided an incentive for institutions to improve the quality of major field programs. Evaluation of performance is based on graduates' performance on approved

Table 5 – The University of Memphis Performance Funding Scores and Monetary Awards from 1979-1999

Fiscal Year	Low Score	Mean Score	High Score	UoM Score	UoM Award Amount	Year-to-year Difference
1979	10	41	67	53	$ 323,848	N/A[A]
1980	13	54	80	58	$ 383,022	$ 59,174
1981	13	58	88	65	$ 410,466	$ 27,444
1982	10	67	82	69	$ 460,745	$ 50,279
1983	72	91	100	100	$ 1,735,050	N/A[B]
1984	59	93	100	97	$ 2,062,366	$ 327,316
1985	63	91	100	80	$ 1,909,120	$ (153,246)
1986	70	95	100	100	$ 2,719,820	$ 810,700
1987	73	95	100	80	$ 2,317,383	$ (402,437)
1988	32	81	96	76	$ 2,586,969	$ 269,586
1989	35	81	97	69	$ 2,470,310	$ (116,659)
1990	61	82	97	88	$ 3,198,932	$ 728,622
1991	66	80	93	82	$ 2,980,823	$ (218,109)
1992	60	81	96	85	$ 3,001,397	$ 20,574
1993	82	92	100	87	$ 3,315,778	N/A[C]
1994	79	89	99	91	$ 3,798,531	$ 482,753
1995	67	89	98	95	$ 4,023,228	$ 224,697
1996	74	86	95	85	$ 3,599,916	$ (423,312)
1997	79	89	97	91	$ 3,764,806	$ 164,890
1998	72	94	100	88	$ 3,689,215	$ (75,591)
			Total Awards		$ 48,751,725	

[A] *1979-1982 maximum award – 2% of E&G appropriations*

[B] *1983-1992 maximum award – 5% of E&G appropriations*

[C] *1993-2002 maximum award – 5.45% of E&G appropriations*

(Adapted from Bogue, 2000)

examinations for the major field. Each major field must be included in the exam process at least once during the five-year cycle. Performance is measured by a comparison of the mean performance of the students and the national mean score. A weighted average score is derived for all major field tests.

3. Objective measure of general education outcomes - This indicator was selected to provide an incentive to improve the quality of an institution's undergraduate general education program. Quality and improvement is measured by graduates' performance on the College Basic Academic Subjects Examination (CBASE) and the American College Testing Service College Outcomes Measures Program (ACT-COMP), the examinations approved to measure general education. All students in baccalaureate or associate degree programs, except international students, are tested. Institutions that graduate more than 500 students in any year may apply to the Tennessee Higher Education Commission for permission to test a representative sample of their graduates. The institution must prove that the sample will be statistically representative. At least five hundred graduates must be tested. The mean score of the students taking the test determines performance. The institution's mean score is compared to national norms for the test or previous year's performance on the test, depending on the institution.

4. Alumni and enrolled student survey results - This indicator provided incentive to improve undergraduate programs based on the results of surveys of recent graduates and currently enrolled students. Graduates and currently enrolled students are surveyed during alternating years. Responses are categorized and summed and compared to prior performance or norms for the state.

5. Peer evaluation of nonaccreditable programs results - This indicator provided an incentive for improvement of undergraduate programs based on external reviews. Performance is determined based on the percentage of programs defined as successful.

Each of the five original indicators was equally weighted at twenty points each for a total of one hundred possible points. Each institution was evaluated based on its performance for the academic year and awarded points for each indicator. The total points earned for all five indicators as a percentage of the one hundred total points possible represented the overall score for an institution. This percentage was applied to the total incentive dollars available for the institution, resulting in the additional funding earned for performance.

Responding to recommendations made by a task force appointed by THEC to review and evaluate Tennessee's performance funding plan, the number of performance indicators was increased from five to ten in 1993. The five additional indicators measured were:

1. Improvement actions taken to remedy identified weaknesses - This indicator provided an incentive for institutions to implement improvement actions to correct weaknesses in instructional programs or academic support services. A qualitative assessment process determines the level of performance.
2. Masters program reviews (universities) or placement (two-year institutions) - This indicator required an external review of all masters programs at least once every five years in accordance with standards established by the Tennessee Conference of Graduate Schools. Two-year colleges are evaluated annually on their success in placing their students either in jobs or other degree programs.
3. Achievement of enrollment goals for campus-specific groups - This objective provided an incentive for institutions to pursue the attainment of minority enrollment goals and mission-specific goats. Performance is measured based on progress made towards achieving benchmarks set each year.
4. Rates of persistence to graduation for minority and all students - This objective was designed to provide incentives to ensure student success as reflected in student retention and graduation rates. Performance is measured based on the rate of attainment of annual benchmarks.

5. Mission specific objectives- this objective was designed to provide an incentive for strategic planning. Performance is measured based on progress towards achieving strategic objectives.

In keeping with the practice of reviewing the performance indicators every five years, THEC again revisited and revised the current performance indicators for the five-year funding cycle starting in 1997 (Bogue, 2000). As can be seen from Table 6, several new indicators were added.

In 2000, however, THEC decided to perform a mid-cycle review "in an effort to strengthen the standards and align the program with the Higher Education Master Planning cycle" (Tennessee Higher Education Commission, 2000). The indicators implemented for the 2000-01 to 2004-2005 cycle can be found in Table 7.

While the most popular of the performance funding programs, the Tennessee plan is not without its critics, many of who are within the State. Serban found that campus coordinators rated only 50% of the performance indicators satisfactory. Also, faculty and staff were generally negative about the performance planning process and questioned the adequacy of the assessment techniques. Faculty and staff also expressed concern that institutions would focus their efforts on improving test scores instead of program quality (Serban, 1997). Still others feared that policies associated with performance funding favored large universities over smaller ones and middle-income campuses over lower-income ones (Bogue, 1982).

Perhaps one of the more outspoken critics of performance-based programs in general is Alexander Astin. In his book entitled *Assessment for Excellence: The Philosophy and*

Table 6 – Tennessee Performance Indicators - Points Available

Area of Evaluation	1979-1982	1982-1987	1987-1992	1992-1997	1997-2000
Accreditation	20	25	20	10	15
General Education	20	25[a]	20	10	15
Pilot Programs of Other General Education Outcomes					10
Major Field Test	20	30[b]	20	10	15
Master's Review/Placement			10[c]	10[c]	
Peer Review of non-Accredited Programs				10	20
Alumni Surveys	20	10	15		
Alumni/Enrolled Students Surveys				10[d]	10
Instruction Improvement Measures	20	10	15	10	
Student Enrollment Goals				10	
Student Retention and Graduation				10	5
Mission-Specific Goals				10	5
Bonus Points		10[e]			
State Strategic Plans and Goals					5

(Tennessee Higher Education Commission)

[a] *Two-year institutions could choose between general education or job placement measures.*
[b] *Institutions could choose between major field tests or external reviews of non- accredit able programs.*
[c] *Master's reviews at universities; placement at two-year institutions.*
[d] *Institutions alternate between alumni surveys and surveys of enrolled students.*

Table 7 – Point Distributions for the 2000-01 through 2004-05 Performance Funding Cycle

Performance Standards	Points	
	2 year	4 year
Standard One – Academic Testing and Program Review		
A. Foundation Testing of General Education Outcomes	15	15
B. Pilot Evaluations of Other General Education Outcome Measures	5	5
i. Program Accountability		
ii. Program Review	5	10
C. Program Accreditation	10	15
D. Major Field Testing	15	15
Standard Two – Satisfaction Studies		
A. Student/Alumni/Employer Surveys	10	10
B. Transfer and Articulation	NA	5
Standard Three – Planning and Collaboration		
A. Mission Distinctive Institutional Goals	5	5
B. State Strategic Plan Goals	5	5
Standard Four – Student Outcomes and Implementation		
A. Output Attainment		
i. Retention/Persistence	5	5
ii. Job Placement	15	NA
B. Assessment Implementation	10	10
Total Points	100	100

(Tennessee Higher Education Commission, 2000)

Practice of Assessment and Evaluation in Higher Education, Astin cited several concerns about performance-based funding mechanisms in general (Astin, 1991). While Astin is a strong proponent of value-added assessment efforts and longitudinal studies of student outcomes, he is opposed to tying monetary rewards to these efforts. Astin is fearful of institutions shifting resources away from critical areas within the institution towards areas that reap the largest performance payoff. Moreover, he expressed concerns that institutions may be tempted to "teach to the test" in an effort to maximize their returns. Finally, Astin cited those schools that fail to make the necessary improvements in their student outcomes are the very ones most in need of additional funding to shore up lagging programs. However, incentive-based programs like Tennessee's do just the opposite. Astin suggested they penalize struggling programs at a time when they are most in need.

Astin wrote, "There is nothing inherently dysfunctional about value-added assessments (even those mandated by the state). Indeed, value-added assessments, coupled with other data, can be extremely useful to institutions as an aid to self-study, in student counseling, and for program evaluation. The problems arise when the state also ties a system of competitive rewards directly to gains in performance" (Astin, 1991, p.222).

Performance Funding in the 90s

Despite the concerns and limitations cited by Astin, Serban, and others of tying funding to assessment and accountability, the concept appears to be heading for widespread adoption and implementation in the U.S. By mid-1998, thirteen states, including Tennessee, had implemented some form of performance-based funding. Moreover, another twenty-one states have implemented performance-based budgeting. Seven states (Colorado, Florida, Illinois, Indiana, Oklahoma, South Dakota, and Washington) are common to both groups by having both performance funding and performance budgeting for their respective systems of public higher education (Burke & Serban, 1998b; Carter, 1994; McKeown & Layzell, 1994). In a survey conducted by Burke & Serban (1997), at least 18 states without performance funding had indicated that they were either highly likely or would be likely to adopt performance funding for higher education within five years.

Thus, despite its critics, performance funding and/or performance budgeting continue to spread across the United States. The problem, however, is that it is spreading without careful and sufficient examination of the practice.

Summary

The chapter reviewed the prevailing literature related to the funding of public higher education in the United States. First, an historical perspective of higher education funding was presented with particular attention paid to the latter half of the twentieth century and the phenomenon of creating elaborate formula to equitably fund public higher education. Starting in the early to mid-1980s, state tax coffers were strained by the demands to fund the criminal justice system, Medicaid requirements, and kindergarten through twelfth-grade education.

The 1980s also brought with it the quality movement in every aspect of American life including both public K-12 and post secondary education. State funding policies were quickly modified to reflect this increased emphasis on assessment and student outcomes. As the public trust in higher education continued to erode into the 90s, however, the assessment movement quickly turned into one of public accountability.

Thus, it was the confluence of three distinct phenomenon, the prevalence of formula funding, a call for greater assessment, and a movement towards greater accountability, that laid the foundation for new funding allocation methods which tie performance in certain areas to increased levels of state funding. This linkage is often referred to as performance-based funding or performance-based budgeting.

Therefore, under the rubric of performance funding, the state's public institutions are financially rewarded for achieving results that the states find beneficial to their overall policies. Subsequently, they may also be financially penalized if they fail to make the grade.

Tennessee stands first amongst the many states who have implemented performance funding. Conceived in the mid 1970s and first implemented in 1979, The Tennessee Performance Funding Project is the longest running in the nation and the program that many states choose to study and even model. The Tennessee program is unique in many respects, but perhaps most notably in that its creators had the vision to foresee the looming shift in higher education funding policy. While many schools are struggling with state-mandated incentive programs today, Tennessee's program was a voluntary one fostered within the academic community itself.

As we enter the new millennium, there no doubt will be continued upheaval in the way public higher education is funded. The prevailing literature seems clear, however, in that performance funding will be a force to be reckoned with for many years to come.

CHAPTER III

METHODS

Type of Study

This study developed a twenty-year perspective of performance funding at The University of Memphis using qualitative procedures for case studies analysis. The following research questions guided the course of the study:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?
2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?
3. Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?

Rationale for a Qualitative Design and Case Study Approach

Creswell defined a qualitative study as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting (Creswell, 1994). Indeed, since the purpose of this study is to develop a comprehensive understanding of the twenty-year history of performance funding at The University of Memphis, the use of qualitative methods seems appropriate.

Yin asserted that a case study explores a single entity or phenomenon (e.g. "performance funding") bounded by time, place, and manner (e.g. twenty-year history as implemented at The University of Memphis) through the collection of detailed information by a variety of data collection methods during a sustained period of time (Yin, 1998). Thus, a case study approach seeks to describe the phenomenon in depth and detail, in context, and holistically (Patton, 1990). As a general rule, the more your study attempts to explain how and why events occur, the more relevant the selection of the case study method is (Yin, 1998). McMillan and Schumacher also stated that case study design should be chosen when the focus of the study is to analyze "one phenomenon, which the researcher selects to understand in depth regardless of the number of sites, participants, or documents for a study" (McMillan, 1993, p. 375).

Qualitative Evaluation Models

A model is used to help the evaluator in knowing what steps to follow and issues to consider in designing and implementing a study. There are many models of qualitative evaluation; goal-free evaluation, responsive evaluation, illuminative evaluation, connoisseurship studies, and utilization-focused evaluation to name a few (Patton, 1990).

In the words of Robert Stake, "Responsive evaluation is an alternative, an old alternative, based on what people do naturally to evaluate things, they observe and react…To do a responsive evaluation, the evaluator conceives of a plan of observations and negotiations. He arranges to observe the program, prepares brief narrative portrayals, product displays, graphs, etc.. He finds out what is of value to his audience and gathers expressions of worth from various individuals whose points of views differ" (Stake, 1975).

A variation of the responsive evaluation model is the "illuminative evaluation" approach of Parlett and Hamilton. "Illuminative evaluation takes account of the wider contexts in which the educational programs function. Its primary concern is with description and interpretation rather that measurement and prediction. The aims of the illuminative evaluation are to study the innovative program: how it operates; how it is influenced by the various school situations in which it is applied; what those directly concerned regard as its advantages and disadvantages. It aims to discover and document what it is like to be participating in the scheme and, in addition, to discern and discuss the innovation's most significant features, recurring, concomitant, and critical processes. In short, it seeks to address and to illuminate a complex array of questions" (Parlett & Hamilton, 1976).

For the purposes of this study, the researcher used a case study evaluation model. The openness of naturalistic inquiry permits the researcher to be especially sensitive to the differing perspectives of various stakeholders. This sensitivity allows the researcher to collect data and report findings with those differing perspectives clearly in mind. Thus, the following six steps helped guide the overall design and implementation of this study (Guba & Lincoln, 1981):

1. In-depth understanding of the program's activities before formally designing the evaluation to increase the evaluator's understanding of what is important in the program and what can/should be evaluated;

2. Use of program documentation to identify important issues and trends;
3. Development of underlying theoretical hypothesis which tie the events, connecting variables, and constructs together (Yin, 1998);
4. Further identification of issues and concerns based on direct, face-to-face contact with people in and around the program in question;
5. Designing the evaluation based on the issues that emerged in the preceding four steps, with the design to include continuing direct qualitative observations in the naturalistic program setting;
6. Reporting information in direct, personal contact through themes and portrayals that are easily understandable and rich with description.

Thus, the responsive/illuminative evaluation model is based on the same assumptions that undergird qualitative research: the importance of understanding people and programs in context; a commitment to study naturally occurring phenomena without introducing external controls or manipulation; and the assumption that understanding emerges most meaningfully from an inductive analysis of open-ended, detailed, descriptive, and quotational data gathered through direct contact with the program and its participants (Patton, 1990).

General Procedure

The most important element for doing case studies is the researcher's ability to handle a variety of evidence derived from multiple and diverse data collection techniques (Yin, 1998). Creswell discussed the need to find convergence among sources of information and to employ different methods of data collection (Creswell, 1994).

In addition to the extensive review of the literature, data was collected through document analysis, first-hand observations, and open-ended interviews. Table 8 provides a comparison of the research questions of this study with the three data sources employed.

Document Analysis

For case studies, the most important use of documents is to corroborate and augment evidence from other sources. First, documents are helpful in verifying the correct spellings and titles or names of organizations that might have been mentioned in an interview. Second, documents can provide other specific details to corroborate information from other sources. If the documentary evidence is contradictory rather than corroboratory, the case study investigator has specific reason to inquire further into the topic (Gay, 1996). Third, inferences can be made from documents. For example, by observing the distribution list for a specific document, you may find new questions about communications and networking within an organization. However, these inferences should be treated only as clues worthy of further investigation rather than as definitive findings, because the inferences could later turn out to be false leads.

The following documents pertaining to performance funding and The University of Memphis were reviewed as part of the data collection process:

Table 8 – Comparison of Research Questions with Data Sources

Research Question	Document	Interview	Observation
Question #1 To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?	College Catalogs Annual Performance Funding Reports Strategic Plans Documents Relating to Performance Funding Activities Articles and Presentations in Relation to Performance Funding	Question 3, Probe, and Follow-up Question 4 Probe, and Follow-up	Direct Observation in relation to attitudes and actions relating to performing this interview
Question #2 To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?	College Catalogs Documents Relating to Performance Funding Activities Papers and Presentations Made by Staff Members in Relation to Performance Funding	Question 3, Probe, and Follow-up Question 4 Probe, and Follow-up	Direct Observation of the campus and any improvements that may have come about because of performance funding
Question #3 Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?	Papers, Presentations, and Memos by Staff Members in Relation to Performance Funding	Question 5, Probe, and Follow-up Question 6, Probe, and Follow-up Question 7 Question 8 Question 9 and Follow-up	Direct Observation in relation to attitudes and actions relating to performing this interview

1. The University of Memphis Strategic Plan for 2000-2005.

2. The University of Memphis Undergraduate Catalog

   a. 2000, 1999, 1996, 1984, 1983, 1982 catalogs

3. A broad sample of The University of Memphis Annual Performance Funding Reports submitted to the Tennessee Board of Regents.

   a. 1999, 1998, and 1997 online reports

   b. 1979-1996 in hardcopy.

4. The University of Memphis Department of Academic Programs and Assessment

   a. Status Report, Academic Program Additions, Deletions, and Modifications, January 12, 2001

   b. Anticipated Accreditation Activities, March 2, 1998

   c. Performance Funding Annual Report Academic Year 1999 – 2000

   d. 1993, 1995, 1997, 1999 Currently Enrolled Student Surveys

   e. 1999-2000 Graduating Senior Survey

   f. College BASE Scores of Graduating Seniors: Comparison of overall scores from The University of Memphis to Colleges/Schools

   g. 1999-2000 ETS Tasks in Critical Thinking Exam

5. A report from The University of Memphis General Education Review Committee entitled General Education: 1989-1997.

6. Annual Reports from the General Education Committee – 1996-97 and 1997-98

7. Report from the 1997 Peer Review of the General Education Program.

8. The University of Memphis Information Technology Strategic Plan

    a. 2000-2001 & 1999-2000

    b. THEC Performance Funding Goal Submission Form 1997-98 through 2001-2002.

9. The University of Memphis Faculty Senate Minutes

    a. 2001, 2000, 1999, 1998, 1997, 1996

10. Minutes of the Provost Council's

11. Minutes from the Dean of Fine Arts and Communication Departmental Chairs Meeting

12. March 14, 2000 Memorandum from Brian Noland of the Tennessee Higher Education Commission to all Performance Funding Administrators regarding the 2000-01 to 2004-05 Cycle

13. THEC's Website on Performance Funding

14. Tennessee Performance Funding Standards 1997-98 to 2001-02

15. Tennessee Performance Funding Standards 2000-01 through 2004-05

Open-ended Interviews

At the most basic level, interviews are conversations (Kvale, 1996). Kvale defines qualitative research interviews as "attempts to understand the world from the subjects' point of view, to unfold the meaning of peoples' experiences, to uncover their lived world prior to scientific explanations."

In qualitative research interviews, open-ended responses to questions provide the evaluator with quotations, which are the main source of raw data. Patton (Patton, 1987) notes that quotations "reveal the respondents' levels of emotion, the way in which they have organized the world, their thoughts about what is happening, their experiences, and their basic perceptions." The task for the qualitative evaluator is to "provide a framework within which people can respond in a way that represents accurately and thoroughly their point of view about the program" (Patton, 1987).

The use of an interview rather than a questionnaire is appropriately suited to the research questions being addressed. The researcher is trying to gain a historical understanding of leading academic and policy officers' perceptions about performance funding. This method offers the participant the opportunity to tell their story about performance funding at The University of Memphis.

Interview Selection

As with all studies involving the use of human participants, approval from the University's Institutional Review Board (IRB) was obtained. As part of the IRB approval process, a letter was sent to the president of the university asking permission to visit the campus and conduct the research and can be located in Appendix A.

The population from which the participant selection was taken was purposefully selected from leading academic and policy officers at The University of Memphis. The participants would be selected from the following:

1. **Current and Past Administrative Staff** – These individuals were purposefully selected because of their involvement with performance

funding and policy within the institution over the twenty years of its existence. A total of ten interviews were conducted within this pool including:

a. Presidents of the University

b. Chief Academic Officers

c. Senior Leadership from Academic Affairs

d. Senior Leadership from Business and Finance

e. Other Presidential Cabinet Members and Staff

f. Performance Funding Officer

2. **Current and Past Academic Deans, Departmental Chairs and Directors** – The role of dean and academic chairs was purposefully selected because of their likely involvement with performance funding and policy within the institution. Select deans and chairs were purposively selected because of their long tenure at the University. Others were randomly selected. A total of three interviews were conducted within this pool.

3. **Faculty and Faculty Leadership** – The role of faculty was purposefully selected to help gauge the penetration of performance funding policy within the University. Select faculties were purposively selected because of their role within the academic governance of the University. Others were randomly selected. A total of four interviews were conducted within this pool.

These participant groups represent those most likely to have been significantly involved in shaping performance funding policy or in its execution at the University. Dr. Grady Bogue, Professor of Leadership and Policy Studies at the University of Tennessee, Knoxville assisted in the selection and narrowing of the initial interviewee lists. Dr. Bogue's knowledge of the length of service of various administrative and faculty members and their level of involvement in performance funding activities was very valuable. Dr. Ralph Faudree, Interim President of the University at the time the study was commenced also assisted in the identification and narrowing of the interview field.

The initial pool of interview candidates was selected because of either their extended tenure throughout the twenty year history or because of their roles during critical times of the program. Additional interviewees were included at the recommendation of the initial interview pool.

A letter of introduction (see Appendix B) was sent to each participant to request an interview. Included with the introductory letter was a consent form (see Appendix C) that the interviewee could read ahead of time and contact the researcher should he have any concerns. The letters were followed by phone calls or electronic mail in which interview times and locations were established. Each interview was scheduled at the participant's convenience at his or her office. Before the interview commenced, the signed consent form was given to the researcher if it had not been previously mailed beforehand. Interviews consisted of open-ended questions following a consistent interview protocol and lasted anywhere from thirty minutes to nearly two hours. With the consent of the participants, the researcher tape-recorded the interviews in addition to taking copious notes during the interviews.

The Interview Protocol (see Appendix D) was pilot-tested on three individuals by involving selected individuals familiar with either The Tennessee Performance Funding Project or qualitative methods. These members were Dr. Grady Bogue, Dr. Gary Ubben, and Dr. Norma Mertz. The pilot test was used more as a formative process, assisting the researcher in developing relevant lines of questions, providing some conceptual clarification for the research design, and pointers on interview techniques as well.

In total, seventeen interviews were conducted during an extended seven-day visit to The University of Memphis campus from July 17 to July 24, 2000. Of the seventeen individuals interviewed, their length of tenure with the university ranged from less than two years to over thirty years. Some individuals have served the university in numerous academic and administrative capacities. Those individuals with extended tenures and/or diverse work experiences were deemed important because they had been with the policy for its entire twenty-year history and could comment more authoritatively on the policy's strengths, liabilities, and impacts.

Because of the minimal turnover in the University's senior leadership during the twenty years that this study covers, the resulting number of candidates interviewed was moderate and deemed acceptable by the researcher. For instance, two presidents, one vice president of Business and Finance, one associate vice president of business and finance, and three provosts were in office during the twenty years. Of the three provosts, two covered eighteen of the twenty-year period. Moreover, the current performance funding officer held his position for fourteen of the twenty years and was at the institution when the policy first started. This minimal turnover meant that a small number of individuals represent a majority of the interaction with the policy since its inception and therefore most of the institutional knowledge was contained within these individuals.

Two individuals deemed important to the study chose not to be interviewed even after repeated contacts and attempts to persuade them otherwise. These two individuals include the president from 1991-2000 and the vice president of business and finance from mid 1960s to 2000. The president departed the University to take another position just weeks before the interviews took place on campus. The vice president was in the process of moving jobs and redirected his appointment to his Associate Vice President of Business and Finance (who was already scheduled to be interviewed). Several follow-up attempts were made to conduct a phone interview with each of them at their new institution. The attempts were not successful.

The tape-recorded interview sessions as well as the written notes from the interviews were transcribed. The identity of each interviewee was preserved by the construction of a coding system used to identify each interview transcription known only to the researcher. The interview tapes were transcribed by a Certified Professional Secretary (CPS) and double-checked for accuracy. The transcriber signed the confidentiality agreement (see Appendix E) and the transcribed tapes are locked up in a secure place in the researcher's office.

Follow-up information and clarification were obtained from August 2000 through January 2001 as the research reduced and otherwise analyzed the data. Follow-up contact was generally done by either electronic mail or phone calls.

First Hand Observation

What people say is a major source of qualitative data, whether it is obtained verbally through an interview or in written form through document analysis or survey responses. There are limitations, however, to how much can be learned from what people say. To understand fully the complexities of many situations, direct participation in, and observation of, the phenomenon of interest may be the best research method (Patton, 1990).

The purpose of observational analysis is to take the reader into the setting that was observed. This means that observational data must have depth and detail. The data must be descriptive – so much so that the reader can understand what occurred and how it occurred. The observer's notes become the eyes, ears, and perceptual senses for the reader. The descriptions must be factual, accurate, and thorough without being cluttered by irrelevant trivia. The basic criterion to apply to a recorded observation is the extent to which the observation permits the reader to enter the situation under study.

Strengths & Weaknesses of Data Collection Methods

In order to strengthen validity for qualitative studies, Creswell (1994) and Yin (1994) both suggest the need to employ different methods of data collection and then to find converging themes within the sources. Table 9 summarizes the strengths and weaknesses of the data sources chosen for this study.

Table 9 – Strengths & Weaknesses of Data Collection Methods

Sources of Evidence	Strengths	Weaknesses
Documentation	**Stable** – can be reviewed repeatedly and may contain information that cannot be gained any other way	Retrievability – can be low
	Access – May be easily accessible and free	**Access** – may be deliberately blocked
	Unobtrusive – not created as a result of the case study	**Biased selectivity** – if collection is incomplete (also difficult to determine if complete and accurate)
	Exact – contains exact names, references, and details of an event	**Reporting bias** –reflects (unknown) bias of author
	Broad Coverage – long span of time, many events, and many settings	Understandability – because not **prepared** for research, may not be in a form that is understandable
Open-ended Interviews	**Targets** – focus directly on case study topic	Bias due to poorly constructed questions
	Insightful – provides perceived causal inferences	**Response bias**
	Flexability – allows participants to answer questions using his/her own words in lieu of predetermined categories.	Inaccuracies due to **poor recall**
	Provides high credibility and face validity; results "ring true" to participants and make intuitive sense to lay audiences	**Reflexivity** – interviewee gives what interviewer wants to hear or may say more than they intended to say, and later regret having done so
		Training interviewers and conducting interviews can be expensive and time-consuming, because qualitative interviewing requires considerable skill and experience
		Analyzing and interpreting qualitative interviews is much more time-consuming than analyzing and interpreting quantitative interviews
		More subjective than quantitative interviews because the evaluator/researcher decides which quotes or specific examples to report
First-hand Observations	**Reality** – covers events in real time	**Time**-Consuming
	Contextual – covers extent of event	**Selectivity** – unless broad coverage
		Reflexivity – event may proceed differently because it is being observed
		Cost – hours needed by human observers

Modified from Hall (2000, p. 52), Yin (1994, p. 80) and Merrian (1998, pp. 124-126).

Documentation

Document analysis is an important source of independent information for many forms of qualitative research. Documents for this study came from three major sources; formally published articles in peer-reviewed journals and edited books dealing with the Tennessee Performance Funding Project; documents and annual reports submitted by The University of Memphis to THEC; and finally, documents maintained by The University of Memphis in their archives or published to University web pages.

Table 9 outlines the strengths and weaknesses of documents as a data source. Document analysis was hindered by two weaknesses – access and irretrievability. While documents were available from the 1990's relating to performance funding at The University of Memphis, additional documents from the early to mid 1980's were not easily located. This factor was exacerbated by a second weakness of document analysis – easy access to materials.

Starting in the early to mid 1990's, most performance funding documentation was loaded to either the University's Performance Funding and Assessment web site or to THEC's website and is easily accessible. Prior to then, the summary information and other minimal support documentation was kept in the performance funding officer's files – available for review upon request.

By and large, the documentation played more of a confirming role than informative. The documentation did not reveal any facts that the literature or interviews had not already brought to light. However, it was useful when it confirmed that statements made by interviewees in turn did take place.

Open-ended Interviews

To an extent that is not true in many other methods, the interviewer is the instrument in this type of evaluation (Guba & Lincoln, 1981 as cited in Patton, 1987). The "instrument" can be affected by factors like fatigue, personality, and knowledge, as well as levels of skill, training, and experience. Patton (1987) points out that any face-to-face interview is also an observation. The skilled interviewer is sensitive to nonverbal messages, effects of the setting on the interview, and nuances of the relationship. While these subjective factors are sometimes considered threats to validity, they can also be strengths because the skilled interviewer can use flexibility and insight to ensure an in-depth, detailed understanding of the participant's experience.

The strengths and weaknesses of interviews as a data collection method are outlined in Table 9. The interviewees who participated in this study appeared to provide truthful and clear information relating to the interview questions posed. Their answers did not always portray the Tennessee Performance Funding Policy, The University of Memphis, their college or department, or themselves in either a positive or negative light. It is believed by the researcher that the interviewees felt free to communicate their ideas and opinions with no threat of repercussions.

First-hand Observation

Direct observation generally provides more powerful evidence than that which can be obtained from secondary sources. Going into the "field" to observe the evaluation subject first-hand can be an effective way of gathering evidence.

Observation involves selecting, watching and recording objects, events or activities that play a significant part in the phenomenon being evaluated. The observed conditions can then be compared with some pre-established criteria and the deviations from this criteria analyzed for significance.

In some cases, direct observation can be an essential tool for gaining an understanding of how the program functions. Observation may take on two forms – direct observation or participant observation. Direct observation, which is pertinent to this study, involves the researcher making visits to the location of the phenomenon under study. This observation may be to observe such formal activities as meetings or to just view the surroundings and climate. Participant observation, not relevant to this study, involves the researcher actually taking part in the phenomenon under study while performing the observation.

The major advantage of observation is that important data may be gained that would not have been otherwise. Attitudes and actions reveal much that other data sources may not, and an outsider may notice things that have become routine for insiders.

The major problem associated with observation is researcher bias. Researchers may have pre-formulated positive or negative opinions regarding the phenomenon which may affect interpretations of observations. Important and salient topics may be inadvertently omitted. Interviewer flexibility in sequencing and wording questions can result in substantially different responses from different perspectives, thus reducing the comparability of responses. As Merriam notes (1988), human perception is unreliable.

Table 9 summarizes strengths and weaknesses of observation as a data source. The observations of attitudes and actions regarding performance funding and this study when visiting The University of Memphis was as free as possible from researcher bias since (1) the researcher had no previous association with The University of Memphis and (2) in all but one instance, the researcher had never had any prior contact with the interviewees. Field notes were transcribed following site visits and encoded in the same manner as interview transcripts and document notes.

Data Analysis

Qualitative modes of data analysis provide ways of discerning, examining, comparing and contrasting, and interpreting meaningful patterns or themes. Meaningfulness is determined by the particular goals and objectives of the project at hand: the same data can be analyzed and synthesized from multiple angles depending on the particular research or evaluation questions being addressed.

At the simplest level, qualitative analysis involves examining the assembled relevant data to determine how they answer the evaluation questions at hand. Merriam (1988) states that data analysis and data collection are simultaneous processes. "Analysis begins with the first interview, the first observation, and the first document read." (Merriam, 1988)

Throughout the course of qualitative analysis, the researcher should be asking and reasking the following questions:

- What patterns and common themes emerge in responses dealing with specific items? How do these patterns (or lack thereof) help to illuminate the broader research questions?
- Are there any deviations from these patterns? If yes, are there any factors that might explain these atypical responses?
- What interesting stories emerge from the responses? How can these stories help to illuminate the broader research questions?
- Do any of these patterns or findings suggest that additional data may need to be collected? Do any of the study questions need to be revised?
- Do the patterns that emerge corroborate the findings of any corresponding qualitative analyses that have been conducted? If not, what might explain these discrepancies?

A researcher undertaking a qualitative study must develop a system for organizing and managing data early in their study. One method involves data coding. "Coding is nothing more than assigning some sort of shorthand designation to various aspects of your data so that you can retrieve specific pieces of data. Coding occurs at two levels – identifying information about the data and interpretive constructs related to analysis" (Merriam, 1988).

For this study, each interview transcript, corresponding document review notes, and observation field notes were entered verbatim into a spreadsheet. According to Yin, two important benefits are yielded by doing so, "(a) The composition of your case study report is made considerably easier, and (b) the thorough use of your evidence in covering any given topic reduces your need to go back and continually sift through the evidence" (Yin, 1998, p. 248).

Once the data was entered into the spreadsheet, it was reviewed for information pertinent to the research questions and otherwise important to this study. Each line of the text was coded based on pre-determined categories determined by the researcher and the code was inserted into the spreadsheet next to the cell containing the information. Use of multiple columns for code storage permitted the research to assign primary, secondary, and tertiary codes to the data. Meaningful units of data were then sorted by primary category. After several additional reviews and recoding of some data points the researcher was able to retrieve and print data by primary category. After review by primary category, the data was subsequently sorted and printed on secondary and tertiary categories.

Next these categories were examined to determine emerging themes revealed by the data. Some categories were discarded – they appeared in few transcripts or document notes. Some were combined. The major emergent themes, both positive and negative, are reported in Chapter 4 of this study.

Validity and Reliability

Creswell (1994) states, "Qualitative researchers have no single stance or consensus on addressing traditional topics such as validity and reliability in qualitative studies."

It is important to note that high reliability may suggest a systematic bias at work in data across observations by the same researcher. Thus, many qualitative researcher handbooks emphasize validity rather than reliability (Creswell, 1994; Merriam, 1988; Patton, 1990; Stake, 1995; Yin, 1994; Yin, 1998).

It is also important to realize that low reliability could be consistent with high validity if:

1. The situation under study is dynamic and constantly in flux.
2. The people being interviewed are interpreting things differently because they are seeing different aspects of the phenomenon under study.
3. The people being interviewed are at different levels within the organization.
4. The people being interviewed are exposed to the phenomenon at different times if the phenomenon under study is over a long period of time or otherwise longitudinal in nature,
5. The people being interviewed might have different perspectives of the situation.
6. The phenomenon under study is far too large or complex for any single perspective/person to see or comprehend.

Each of these points is germane but the final point is particularly applicable to this study. The study presented here is but one in a larger simultaneous study of the twenty-year history of performance funding across the State of Tennessee. Bringing these different accounts together – even though the consistency and reliability between them might be rather low – should result in a better understanding and therefore higher validity of the overall phenomenon than any single study taken by itself.

Strategies for Strengthening Internal Validity

Internal validity for qualitative studies is strengthened when several different sources of evidence are used to develop converging lines of inquiry. "The use of multiple sources of evidence in case studies allows an investigator to address a broader range of historical, attitudinal, and behavioral issues. However, the most important advantage presented by using multiple sources of evidence is the development of converging lines of inquiry..." (Yin, 1994). For the purposes of this study, three sources of data were utilized – document analysis, open-ended interviews, and direct observation.

In addition to triangulation mentioned above, several other steps were taken to enhance the internal validity of the study. A specific strategy for the selection of documents was formulated prior to the beginning of the study as a means of strengthening the internal validity of the documents themselves. As noted earlier, the limited availability of documents from the 1980's relating to internal performance funding activities has been recognized as a limitation of this study.

Measures taken to enhance the internal validity of interviews include establishing an interview protocol with questions that were piloted and subsequently refined based on feedback from an informed pool of individuals. Moreover, poor recall, response bias, and reflexivity were issues that the researcher sought to minimize during the interviews themselves. Additional interviews were planned if any of these threats to validity were confirmed. Moreover, member checks were performed to ensure that the transcriptions, or parts of them, accurately reflected what the person was trying to convey.

Finally, as discussed in the data analysis section, it is critically important that researchers establish a system for data analysis early in the study. In this case, data was entered into a computer spreadsheet and systematically and consistently coded to reveal any emerging themes.

Juxtaposition

In qualitative research, juxtaposition is important in validating your research. Be it in the presentation of categories, themes, taxonomies, typologies, pictures, or drawings, the essence of presenting qualitative research comes down to how well you are able to juxtapose the data with your descriptions, explanations, analysis, or commentaries (Chenail, 1995).

Also critical in the juxtaposition of data and presentation of results/conclusions is how you choose to use the prevailing body of literature and other pertinent documentation in this weave. Examples of where juxtaposition might be used include:

1. The annotation of data by citing relevant previous studies or theoretical pieces.
2. The contrasting of data collected against what has been previously said in the literature about similar data.
3. The triangulation of data with the literature as a way of validating your observations.

To the extent possible, the researcher has attempted to provide such an interweaving of literature and documentation with direct quotations in order to strengthen the internal validity of the study.

Strategies for Strengthening External Validity

One of the frequently cited limitations of the case study method is the difficulty in generalizing the findings. The counter-argument is that generalization of case study findings is a legitimate outcome, based on an understanding of the nature of that generalization. In Yin's view, "generalizing from case studies is not a matter of statistical generalization (generalizing from a sample to a universe) but a matter of analytic generalization (using single or multiple cases to illustrate, represent, or generalize to a theory). Case studies involve only analytic generalizations" (Yin, 1998).

Stake (1995) describes the generalizability of case studies as "naturalistic," that is, context-specific and in harmony with a reader's experience, and thus "a natural basis for generalization." This means that case study findings often resonate experientially or phenomenologically with a broad cross section of readers and thus facilitate greater understanding of the phenomenon in question (Snow, 1991). Erickson (1986) supports the idea that while generalizable knowledge is not an appropriate goal; concrete universals are arrived at by study of a specific case. Most people deal with everyday life in this manner -- what we learn about a particular situation can be transferred to similar subsequent situations.

Merriam (1988) states that the communication of a rich, thick description increases the possibility of generalizability in some sense. Enough description should be given to allow readers to "determine how closely their situations match the research situation, and hence, whether findings can be transferred.

To the extent possible, the researcher has attempted to provide such a description in this study in order to strengthen the external validity of the study.

Strategies for Strengthening Reliability

As with internal validity, the use of multiple sources of evidence strengthens reliability – particularly the dependability and consistency of findings. Moreover, establishment of an audit trail, that is a chain of evidence that explains how findings were determined, is crucial. This trail should be clear enough for an independent reviewer to follow. In the case of this study, the creation of the data coding spreadsheet mentioned above assisted in the establishment of an audit trail for this study. Finally, multiple listenings of the tape-recorded interviews as well as multiple readings of the transcriptions of audiotape by the researcher was another method employed to strengthen reliability.

Summary

A qualitative case study was undertaken to develop a twenty-year perspective of performance funding at The University of Memphis. The case study involved the collection of data through numerous mechanisms including document analysis, open-ended interviews, first-hand observations, and extensive review of the literature.

The study was guided by the following research questions:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?

2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?

3. Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?

The following documents were analyzed: journal articles and dissertations on performance funding, the original project report, University of Memphis strategic plans and other University documents pertinent to performance funding on the campus, undergraduate and graduate catalogs, any documentation from THEC including meeting minutes, data profiles on fiscal allocations, and past performance funding reports, and finally the five year cycle reviews of the performance funding standards.

The participants would be selected from the following:

1. **Current and Past Administrative Staff –** These individuals were purposefully selected because of their involvement with performance funding and policy within the institution over the twenty years of its existence. A total of ten interviews were conducted within this pool including:

   a. Presidents of the University

   b. Chief Academic Officers

   c. Senior Leadership from Academic Affairs

d. Senior Leadership from Business and Finance

e. Other Presidential Cabinet Members and Staff

f. Performance Funding Officer

2. **Current and Past Academic Deans, Departmental Chairs and Directors** – The role of dean and academic chairs was purposefully selected because of their likely involvement with performance funding and policy within the institution. Select deans and chairs were purposively selected because of their long tenure at the University. Others were randomly selected. A total of three interviews were conducted within this pool.

3. **Faculty and Faculty Leadership** – The role of faculty was purposefully selected to help gauge the penetration of performance funding policy within the University. Select faculties were purposively selected because of their role within the academic governance of the University. Others were randomly selected. A total of four interviews were conducted within this pool.

These participant groups represent those most likely to have significantly been involved in shaping performance funding policy or in its execution at the University.

The resulting data was reduced, systematically looking for themes and recurring patterns, and ultimately reworked to explain and address the research questions. Specific strategies were taken to strengthen the validity and reliability of the study. Results are presented in the following chapter.

CHAPTER IV

FINDINGS

The case study findings present a twenty-year perspective of the impact of performance funding at The University of Memphis. This study was derived from the following sources of information; available and relevant documentation obtained from and about The University of Memphis; interviews conducted with selected past and present administrative and academic personnel associated with the institution; and observations of the attitudes and actions relating to the policy or this study when visiting the campus and conducting the interviews.

For the purposes of this study, presidents, provosts, vice presidents, and associate/assistant vice presidents are referred to as "high level administrators". Deans and departmental chairs and directors are referred as "college administrators". The faculty is simply referred to as "faculty".

Seventeen individuals were interviewed including seven high-level administrators, four college/departmental administrators, and three faculty members. Notable gaps in the interview pool include the past president from 1991-2000 and the past vice president of Business and Finance from the mid 1960's to 2000. Multiple contacts with both individuals were made and both declined to participate for unspecified reasons although the fact that both individuals were in transition to new presidential positions at other universities may have been a determining factor. While the inclusion of both individuals would have been beneficial to the study, the absence of their thoughts and experiences is minimized by the inclusion of other key individuals during their tenure. In the case of the president, the provost that served under most of his tenure was included. In the case of the vice president of Business and Finance, the associate vice president who served under a majority of his tenure was also interviewed. To this end, the researcher feels that the internal validity of the study remains strong.

The presentation of findings has been categorized by research question in order to provide logical organization of the information. In addition, each research question narrative has been presented in subcategories describing themes that emerged during data analysis. Quotations are cited from participants in order to illustrate and elaborate on these themes. Text added by the researcher within a parenthetical quote for explanatory purposes are enclosed in brackets (e.g. [ ]).

Research Question One

To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?

Penetration and Awareness

It appears from the interviews that the awareness of the performance funding program and/or policy does not extend much below the level of the deans and department chairs. This seems to be a consistent finding throughout the twenty-year history of the policy. One former high-level administrator from the mid to late 1980s explicitly stated:

- *"I think probably – well it probably doesn't go much beyond the dean's level. I think the faculty is probably familiar with the term "Performance Funding." Some probably a little more than others. I don't think they [the faculty] see the real consequences of performance funding. I really* *don't. If they don't feel connected to it, then they will give it little attention." (high level administrator)*

Moreover, the awareness at the dean's level seems to be somewhat of an ad-hoc annual event. In the past, the performance-funding officer has spoken to the dean's council once a year and has given them a report on the year's numbers. One current dean reported:

- *"The Dean's have a meeting with him at what used to be called the Provost Council and is now called the Dean's Council. It's a monthly meeting of the Provost and various deans and some of the Vice Provost's staff – but mainly it is comprised of college deans and the Provost. Anyway, the performance funding officer will come there and he will go over the [performance funding] report and tell us how we scored and various kinds of other things. I will in turn take that information and do a summary report to my immediate chairs and directors." (college administrator)*

But another dean who has been in office slightly more than eight months at the time of interview has not been formally briefed, in private or in the dean's council, about performance funding.

Documentation in the form of meeting minutes was obtained from the Provosts office that indicated the performance funding officer had briefed the Dean's Council on February 7, 2001 and December 1, 1999. Minutes show discussion covered the results from the previous year and plans for testing in the next academic year. Archives from the

University's News and Information Service Bureau show that the above-mentioned dean who had not been present during a Provost's Council meeting where performance funding was discussed was appointed on December 1, 1999. Thus, the statement by the newly appointed dean was consistent with the attendance of the performance funding officer at the Provost's Council.

Penetration to the levels of the departmental chairs and beyond seems to be a function of the dean of that particular college. One current dean who has been in office for many years made it a point to bring the performance funding officer to speak which his departmental chairs on an annual basis. He states:

- *"After being briefed at the dean's council, I would do a summary report to my immediate chairs and directors. Then we actually asked the performance-funding officer to come to one of our college meetings where he comes to talk to them specifically about the report and answers any questions that they may have. What they [the chairs] do with that information beyond that I can't say for sure. I do know from some of the departmental meetings that they at least report some of that information to meetings of the faculty that they had in their department." (college administrator)*

A former departmental chair in that same college went on to confirm:

- *"The performance funding officer would come to our College Chairs meetings and discuss with the departmental chairs how our college and other colleges did that year on the various measurers. I know in my case* *with our dean, he would always... if we were low in an area... he would want to look at what we can do to increase that. So it has always been useful as a benchmark where we can turn around to plan to overcome whatever the problem is there." (college administrator)*

Documentation in the form of minutes was obtained from the above mentioned Dean's office that confirmed the performance funding officer visited the departmental chairs and director's meeting on March 1, 2001 and February 20, 1997. In each case, the dean of the college attached minutes from the Provost's Council showing where the performance funding officer had presented annual results to the academic deans the month prior.

While the number of faculty members interviewed was not exhaustive by any means, two that were asked if they had ever been briefed about performance funding stated the following:

- *"No. All that was said [by the departmental chair] was here is the money the university received this year. We've got so much money and here's the way it's going to be disbursed, or something to that effect." (faculty)*

When another faculty member of fourteen years was asked if he had ever been given a formal presentation about performance funding, he responded:

- *"No, not to my knowledge. He [the performance funding officer] has been in front of the Senate a couple of times but he has never really talked about the mechanics of performance funding. He has talked about other things." (faculty)*

The minutes from the faculty senate meeting were reviewed from 1996 to 2001. Over that five year period, the name of the performance funding officer was never recorded nor was the topic "performance funding" ever presented or discussed.

Thus, one can see that awareness of the policy can best be described as a function of one's place in the organizational hierarchy and/or the length of one's tenure at the university. The nearer you are organizationally to the president's cabinet, the more likely you are to be aware of the policy. Likewise, the longer you have served at the university, the greater probability you are to have heard about the policy. However, awareness of the policy does not necessarily equate to understanding the mechanics of the policy. The penetration in the academic affairs division seems to be the deepest of all vice presidential areas.

<u>Attitudes Towards Performance Funding Early in the Program</u>

When performance funding was first implemented at The University of Memphis in the early 80s, it seemed to be well accepted:

- *My initial reaction was very positive. As I said, I had been involved with the Southern Association of Colleges and Schools in the College Commission and that [Performance Funding and Outcomes Assessment] was a concept that I had been pushing there. I am convinced that the only way that something like this can be achieved is by doing it on a very wide basis. In other words, you can't very well do it in one school if you have other schools that are ignoring it. (high level administrator)*

When one high level administrator was asked if he encountered any strenuous objections to Performance Funding when it first appeared, he replied:

- *At my level I didn't encounter any strenuous objection to it. If that happened, then the vice presidents would have been aware of it. Certainly the deans and the department heads would have been aware of it. When it got to me we were dealing with numbers only. (high level administrator)*

However, while there seemed to not be an objection to the concept of performance funding, the notion of outcome assessment was not always welcomed.

- *We started pushing to evaluate on the basis of how well they were doing what they said they were going to do. We encountered stiff opposition, particularly from faculty groups. I think they felt that it was a threat to academic freedom. They didn't want anyone else to prescribe their objectives, etc. (high level administrator)*
- *"Yes, I remember when the program first started. I thought the notion of us [The University of Memphis] getting more state funding for doing a good job was worthy enough. I didn't particularly care for outsiders deciding what it meant to be good or bad nor did I think the measures were all that great." (faculty)*

Yet, even with the novelty of the new policy, The University of Memphis did not do much in the way of scholarly activities:

- *"I remember when the policy first hit campus. We created some internal committees and working groups to help integrate the policy into our* *operation. We didn't take nearly the high road that [the University of Tennessee] Knoxville did. They went out and got grants and foundation money and what not and really went to town on this. There was this one person [at Knoxville] who must have gotten fifteen publications out when everything was all said and done." (high level administrator)*

Examination of the relevant documentation confirms that the University created faculty groups to study ways of improving undergraduate instruction, implementing major field tests, and increasing program accreditation.

While there was awareness of, and interest in the performance funding on campus during the 80s, it was done so in somewhat of a low-keyed manner. A check of the prevailing literature does not produce one publication written by a University of Memphis faculty or staff member about the policy's implementation on campus.

Attitudes Towards Performance Funding Later in the Program

Evidence from interviews shows a marked change in opinion towards performance funding around the early 1990s. In 1991, Lane Rawlings replaced William Carpenter as president. President Carpenter was in office when the policy was first instituted on campus in 1979. Without the benefit of interviewing President Rawlings, it is difficult to determine if the transition from one administration to another had anything to do with the decrease in institutional support towards the policy. One senior member of the cabinet who has been at The University of Memphis since 1992 responded when asked what was he knew about performance funding:

- *Question Asked by Researcher – "So, tell me what you know about performance funding."*
- *Response from Interviewee – "I will be very frank with you, not a lot. Shortly after I got here in 1992 I learned that there were a number of issues with Performance Funding that made me feel that when you really look at the whole picture we couldn't shift our budget in any major way one way or the other. It was a THEC compliance issue that we had to do because it was already in place. There was not much incentive for me to invest much time from academic affairs. Plus or minus twenty thousand dollars here or there was not much motivation. Furthermore, the types of measurers that were being used I raised some real serious questions about. [...] When I saw that and I complained about it and had some rather extensive discussions with [the performance funding officer] about it. They have improved and they are still right on the margin. [...] So when you contacted us about doing this study, I sat down and started re-examining the material in a way that I thought we hadn't look at before at least not in recent years. I do think that probably the amount of money that is invested in it in terms of the time it takes us is more than its worth. I questions whether it really can be justified.*

This downturn in institutional commitment appears to be a function of at least two variables – (1) the burden of implementing the policy as compared the financial rewards, and (2) the significant reduction in state funding of higher education experienced throughout the 90s.

- *Yes, I think the notion of performance funding has been hurt by the erosion of state funds. That is what I have seen over the years anyway. The way it was set up when I first came [to Memphis], we were fully funded plus money performance funding money received on top. But the last decade there has been terrible erosion in state support. (faculty and later high level administrator)*
- *This [performance funding] would maybe be better received if it were put on top of a reasonable budget. If we had a decent resource base to build upon, we could really make advances. However, we are not making the advances. We're doing everything we can to keep our head above water. It is kind of two-faced to do this [institute performance funding] and then not to allocate funds to help us do even an adequate job. [high level administrator]*
- *I have heard people say that the only reason that we got this or that is because we got this extra money that performance funding brought in. And I say, yea, right. But we would have gotten equal or greater funds had the State funded us at the level at which we are supposed to be funded. So, what is the benefit there? This [performance funding money] is not over and above. I thought performance funding was an over and above thing. Here, performance funding is to make up for shortfalls because the*

State simply does not support higher education at any level. It is ridiculous. It is absurd in this state. (faculty)

Finally in mid 2000, the third president, interim in this case, took office with the departure of President Rawlings. The institutional commitment to the policy seems to diminish with each new administration. For instance, most recently, one high level administrator stated:

- *"Performance funding is more of a bureaucratic exercise these days than anything else. We do what we need to do with respect to the policy, but the University really charts its course irrespective of the performance funding. I would say our strategic planning has a much greater affect on where we decide to put our resources than performance funding does."*

Today, the policy is viewed more as a regulatory mandate than innovative policy. Something to manipulate more than a policy to effect change. The amount of communication about the policy throughout the hierarchy of the organization, due in large part to perhaps the heightened lack of commitment of late, is now minimal. Even a college dean who has been in office for more than a year, has not been formally briefed on the policy.

To the credit of the Office of Academic Programs and Assessment where the administrative responsibility for the performance funding policy is housed, the entire policy as well as eight years of institutional performance and allocations are available on their departmental web site. If someone within the University has the desire, the information is indeed easily obtained.

Research Question Two

To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?

Policy Intent

Over the 20-year history of the performance funding policy at The University of Memphis, there seems to have been a change in the intent of the policy. It was difficult for the researcher to ascertain the policy intent during the early 1980s when the policy was first implemented. For instance, when one high level administrator who was in office during the early 1980s was asked if the performance funding policy ever influenced the educational decision making of the university, he responded:

- *Oh yes. I don't recall which programs they were, but I know that colleges and department really didn't like it when we terminated programs because of their performance. Academia has a tendency to carry dead wood for a long time. This [performance funding] was the trigger to do something about it. So, I think it [performance funding] had a positive effect in that regard. (high level administrator)*
- *If your figures showed that a program was really borderline, in other words if you lose one more student and it's dead and things like that, you ask do we want to go ahead and kill this thing off or do we want to do what is necessary to save the program? In other words, what is the future of that program? Those are the sort of decisions that we should have*

made anyway. But I doubt that we would have without the performance funding. As I said earlier, it made us do things that we should have done anyway and that part is good. (high level administrator)

- *By the time it got to me, we were dealing with numbers only. Have we met this? Have we done that, and if not, why not? And how are we going to do it? And, of course, there was always the discussion about why would they want to pick this number or that number. That was immaterial. The key result, as I recall, was the phasing out of programs that were not performing. And, that was good. Interestingly enough that was something that the administration were quite aware that should been done. But you had internal politics within the university or college that make that difficult to do sometimes. For instance, if I had a favorite program I really thought the university needed but it was struggling and not reaching the levels which were appropriate in order for it to survive, then in all likelihood, I had a heavy influence on whether to keep it alive or not irrespective of whether it should be. With the Performance Funding, that wasn't possible. And that's good. (high level administrator)*

However, when another high level administrator in office during the same time was asked if he could corroborate if any programs were phased out, he stated:

- *I don't recall any. If there were, I definitely don't recall. Besides, I don't think that was the purpose of the policy. In my mind, it [the performance* *funding policy] wasn't meant to be a tool to shutdown programs. It was a tool to build programs up…not tear them down. (high level administrator)*

A different high level administrator also supported the notion that the performance funding policy was not used to eliminate academic programs:

– *In all my time at Memphis, I can only recall one program being shutdown – the Library Science program in 1983. And to the best of my knowledge, it was shutdown for reasons other than performance funding. (high level administrator)*

Examining the course catalogs from 1981 to 1984 confirmed the elimination of the Library Science program.

Thus, while the first data point is certainly a powerful statement, there is no additional evidence to support its underlying premise – that the performance funding policy was used to specifically eliminate academic programs. In addition to the two statements to the contrary, no corroborating documentation could be located to confirm that the performance funding policy was instrumental in the cancellation of academic programs.

<u>The Role of Performance Funding Allocations</u>

Many interviewees made references about performance funding allocations. The comments generally dealt with the allocation size or its eventual use. For instance, one high-level administrator in the mid 80's to early 90s responded:

– *The decision to hold back funds was made primarily in academic affairs. I just felt like that if we are to make it [performance funding] work that it* *has to have some consequence. And to generate some interest, they have got to see something. And, I thought well this is one way. Those departments that do well, score well ought to receive something. Well, going back to what I said a while ago, we could allocate additional money. But, the reaction was, "Well that's not even what we requested for the annual budget, so you are not giving us anything." That's appropriated separately but they don't perceive it that way. They just say, "We needed more money than that. You haven't given us anything." So, it's always a kind of a knee jerk reaction. And, it may not make any difference how much money you give them, it would be that knee jerk reaction. So, I didn't do that every year. I just didn't do that every year. One of the things I think probably pricked their attention was the program evaluation. When peers came in here and said it wasn't worth a damn or it's an excellent program, they paid attention to that. (high level administrator)*

However, when asked if the performance funding money was ever targeted towards specific programs to either reward them for achieving good results or help others improve in an effort to get even better scores, a senior level administrator in finance responded:

– *I don't recall that happening. That would be the obvious thing to do, but I don't recall doing it specifically. Most of that money [performance funding allocations] went to the academic side. The University of*

Memphis is a large school so that there was a pretty clear division of responsibilities between academic affairs and the rest of the campus. Anything that was academic they would work on it and then they would bring their recommendations, etc., back to the table.

Yet another senior cabinet member during the same period of time contradicted the above statement. This individual, who had considerable control over the allocation of resources within academic affairs, did indeed experiment several times in holding performance funds back and earmarking them towards specific programs that either had done very well in the past (a reward) or was the target for future improvements (an incentive). He felt strongly that the front line, those faculty and departments directly involved with the business of the University needed to see a direct connection between the measures and the rewards. He went on to state:

The disconnect between the two statements is understandable in that the former was made by a non-cabinet member in business and finance and the latter by a member of the president's cabinet. It does go to illustrate how little discussion about the process of performance funding occurs even within the senior administration.

As noted in the section on limitations, the president of the university from 1991 to 2000 was not available for interviewing and therefore the presidential perspective of how the policy might have been used to effect change is not available. However, documentation from 1991-2000 period shows performance funding influenced decisions made about the general education program. Recall that the performance funding standards for the 1992 - 1997 cycle included a standard (Standard X) on Improvement

Actions. This standard included the requirement that institutions conduct a peer review of their general education program, of similar rigor to that of a major academic program review, be conducted for in the fifth year of the cycle (1997).

When asked about this event, one high level administrator responded:

> – *The University of Memphis had instituted a new general education program in 1989 that replace general education university wide area. As originally designed, it was expected that the General Education curriculum would be periodically assessed at both the course and program level. During the early years of the program some course assessments were carried out, but funding shortages prevented any strong assessments from occurring. However, the he "fifth year" assessment of general education mandated by THEC Performance funding provided just the right opportunity to really examine our program. I believe the University of Memphis took on the task with stronger enthusiasm and more seriousness than just about any other institution. Fifteen faculty members prepared a self-study report that covered the history of the program, philosophy and goals, analysis of the program in relation to the stated goals, and recommendations for improvement. A four-member review team included some of the most knowledgeable people of college general education, including Jerry Gaff, then vice president of the*

Association of American Colleges and Universities, and noted author on general education.

The end results of that study are still in place as the university continues to follow up on the recommendations.

One of the recommendations from the report called for a better identification and organization of general education programs in the course catalog. Starting with the 1999 undergraduate catalog, general education courses are better identified and organized within the academic degree programs.

Even without the presidential perspective, two top administrators during that period indicate that the policy was no longer used as an instrument to eliminate programs, but rather as a tool to build up desirable programs. For instance, when one high-level administrator from that period was asked what role performance funding played in the educational decision making at the University, he responded:

– *It was very interesting when I came here in 1992. The president [of the University] had been in office for a little over a year. He did something that at first I did not buy into. He, in essence, took all the income [from performance funding] and pooled it and said, "Now I have this pool of money – how to do the best to run this university?" What are the goals of the university? Where should we put the resources? Should we put as much resources in a given year towards a program that was not performing well but is a program that we have identified as important to our strategic plan. It [the program in question] was meeting the basics.*

Conversely, a program that was particularly successfully and helped us get the Performance Funding but we decided was not a priority program by not designating the money for that program even though it helped us get the higher level of Performance Funding, we would use the money for some other program that we thought that connected better with our strategic plan. I bought into that after a couple of years. (high level administrator)

This practice of using the performance funding policy to recognize and build-up specific programs appears to continue through the current administration. However, the level current at which it is done seems to be greatly diminishing. For instance, one senior administrator responded:

- *The exit exams for majors (that is part of formula funding) along with external reviews do play a small role in determining the level of resources that go to units. Thus, from my perspective, it [performance funding] still plays a minor role in the educational decision-making process. But by and large, the overall strategic planning process drives the direction that the University takes more than anything. (high level administrator)*

<u>The Relationship between Strategic Planning and the Selection of Goals</u>

As alluded to above, today it seems as if the University charts its course towards its own definition of excellence (whatever that may be) through various and numerous strategic planning exercises and settles for whatever performance funding points such activities collect. One senior administrator states:

- *I would say that in terms of charting the course of the University, performance funding doesn't play a major role in doing that. We set our values and emphasizes based on what we think we need to do. But at the same time, we are cognizant of these issues of accreditation, alumni relations, student excellence in undergraduate work and graduate work and that kind of thing. (high level administrator)*

Moreover, for those measures that the performance funding policy gives the institution discretion over setting, there is clear evidence that the chosen goals are those that are more easily obtained. For instance, one current high-level administrator stated:

- *We usually go through...well, what we do is go through our strategic plan and identify areas where we can feel like we are going to be successful. We are not foolish around here. We do it conservatively. We write goals that we think that we can accomplish. [...] We are going to be conservative but we are going to try to be reasonable too. (high level administrator)*

Another high-level administrator goes on to state:

- *You wouldn't set a goal that you didn't think you could accomplish or weren't pretty sure you could. I think that there is really a great deal of ability to manipulate those if you want to.*

Another high-level administrator in the current administration also stated:

- *I know a number of the measurements that are around today which are stated in terms of the institution's strategic plans and goals. You know* *that your funding is going to be determined by whether you achieve your goals or not, so you try to set goals that will show that you are making progress. It's a little bit like the tail wagging the dog. Some how or other if your success, your monetary success, was not connected with that [your funding], you might sit down and make more realistic goals – goals that are a little more adventuresome. Because we know that achievement is connected to the funding, we will set down and make, I'm not saying we do it, but the temptation to do it is there – we sit down and make goals that are a little more obtainable. In other words, lets say we know we will increase our minority enrollment by a certain percent. We also know that corresponds to certain equivalency in funding. Is it the funding that is driving the goal or the realistic expectation that we can reach out for that goal? That's just human nature to me. (high level administrator)*

Another example of the relationship between preexisting strategic planning goals and the eventual selection of performance funding measures is captured in the following dialog:

– ***Question Asked:***

I'm trying to decide how much a motivating factor the Performance Funding policy is towards the educational decision making, and in particular, the campus strategic planning process. You said that a result from the most recent strategic planning process was to be that Memphis was going to increase the number of credit hours generated at a distance *or through the distance-learning program. That also happens to be a specific goal Memphis selected in the most recent performance funding measures. Was performance funding influencing that outcome whatsoever, or was that going to be the natural direction of the University and you selected it because you knew you would fare well in the Performance Funding area?*

Answer:

That is an easy one to answer. We knew that we would be producing more off-campus courses. Performance funding did not influence that. We like to get Performance Funding points. Therefore, we are going to write a goal in an area that the state has targeted and we will create what we will hopefully accomplish so we get those points. (high level administrator)

Another data point obtained during interviews further corroborates this tendency. For the 1997-98 through 2001-2002 performance cycle, a goal was submitted under standard 4B to improve general academic computing laboratories. When one high level administrator was asked about how this particular goal was selected:

- *The University of Memphis was upgrading and expanding our academic computing labs in response to a stated goal in the University's Information Technology Strategic Plan. It was and continues to be a significant need within the institution and fortunately the IT Student Fee provided a means to ensure that it would happen. Selecting this measure was an easy and meaningful metric to track. (high level administrator)*

Both the 1998-99 and 2000-01 Information Technology Strategic plan clearly show improvements to student computing labs as a high priority. Documentation submitted by The University of Memphis shows that this goal was approved by THEC as a valid measure. Subsequent documentation submitted to THEC shows that the University drastically improved in this area over the first three years.

In summary, the performance funding policy was used extensively by the early administration to effect change. Arguably, it is difficult to surmise whether the policy was the catalyst for change or the scapegoat. Over the last decade, however, the performance funding policy was used more as a tool to build up high priority programs than to tear down low achieving ones. Since the mid 1990s, the policy seems to have little impact on the strategic planning, and therefore direction, of the University.

Research Question Three

Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?

Strengths of the Program

One of the clear strengths that has held constant over the twenty years is that performance funding provided a clear impetus to do outcomes assessment – assessment that otherwise would likely not have been done. For instance, one former senior administrator stated:

– *The reason I supported it [performance funding] was because it was an initial effort to set some targets and objectives and establish some* *standards of how to measure them across all the institutions in the State. Whether they were accepted or not was somewhat immaterial – at least they were established so that everybody was playing on the same ball field. And, we needed that. That's essentially the main value of Performance Funding. (high level administrator)*

In the same vein:

- *What, on the other hand, it [performance funding] has done is that it has caused some attention to be paid to various kinds of things that the University may not have otherwise done. For instance, we are interested in maintaining accreditation of our programs [in our college] for a variety of reasons, including, of course the statement that it makes on the quality of our programs. The one thing that Performance-based Funding does is that it puts a little threat from outside of losing that accreditation. The University has been bumping along perhaps in all its years at 100% [full accreditation of all its programs] or darn close to it and something they [university administrators] are concerned about maintaining. It [performance funding] provided the incentive that got us to this high level [of accreditation] and now it provides the ongoing incentive to maintain that level. (college administrator)*
- *I think a strength of the program is that it has provided us with tremendous amounts of information over the last twenty years. It has provided us with continuous data, year after year, that many places would*

love to have. With this information, irrespective of the role that it initially played in performance funding, you can do an awful lot with it. It represents a tremendous planning resource. It helps you establish a baseline from which you can draw conclusions.

Another strength appears to be the incentive that the performance funding policy has provided for program accreditation. Program accreditation has been a performance funding measure since the first five-year cycle started in 1979. Since that time, documentation shows that the University has increased program accreditation from 62% to 100% of programs available for accreditation.

Weaknesses of the Program

Another common theme that appeared many times throughout the interview data is the paradoxical notion of having a policy to promote and/or reward excellence in an era where the State does not fully fund its formula. For instance, a college dean states:

- *What's happening, because the State has been negligent in giving the kinds of money to the state system that they are supposed to be giving by their own formula, what's happening is this [performance funding] money is disappearing into a central fund and it loses its identity. And, even if it didn't [go into the central fund], because we [the University] are so far behind the eight ball that this [extra funds due to performance funding] gets chewed up just trying to keep the ship afloat on a day to day basis. It is a very challenging thing. Within that kind of atmosphere, it is tough to* *see this [performance funding policy] as much of an add-on to our base funding. (college administrator)*

Another senior administrator comments about the amount of money tied to performance funding:

- *Given the level of [State] funding over the last twenty years, I'd say we would have been better off not putting the effort into going through the mechanics and process of Performance Funding and getting the same amount of appropriation that we have as part of our base funding. Now if the formula was fully funded and it [performance funding] was true incremental funding on top of that, that would be a different story. The fact of the matter is that it has made relatively little difference in the appropriations the institution gets. At the margin it makes a little bit of difference. Since the formula is not funded, it is a matter of dividing the same pie. And as long as everybody has got reasonably close to the same score then the money you get is going to be the same regardless. (high level administrator)*

A third senior administrator states:

- *Absolutely. I don't think that there is any doubt that anything less than full formula funding weakens the performance funding policy. So, anything less than full formula, I think the performance funds kind of get lost and I think it really damages the [performance funding] effort. If you want to see something like this really make a difference in the behavior,* *it's going to have to have much more variability in the amount of money you can get verses not getting than it does under the present process. (high level administrator)*

And finally, a fourth high-level administrator:

– *It [performance funding] would maybe be better received if it were put on top of a reasonable budget...If we had some resource base to build upon and really could use the money to make advances. We are not making the advances. In fact the problem right now is that we are losing some faculty. I've not seen the erosion on faculty as severe as I have seen here. It is kind of two-faced to do this and then not fund to help us do a better job. (high level administrator)*

A senior faculty member goes on to state:

– *So, as I understand it, the whole idea behind it [performance funding] was in fact for the universities to be able to go above what the formula funding equation was. This would be extra money that you could then use to do other things and build up your program. When in fact that has never worked here because we haven't got funded at our full formula. So how do you use this as anything for what it was actually designed to do other than to make up for the shortfall of the State in funding a university at their formula. So they [the State legislators] can sit there and call it anything they want. You can say, oh its not punitive, your are supposed to be doing this and that. But, the whole premise is that we would be funded* *at our formula and that over and above that then you get this. If you don't fund at the formula then giving us this money just makes up for formula losses. It doesn't allow us to do anything with it. (faculty)*

Performance Measures

Most, if not all of the interviewees who had a good grasp on the mechanics of the policy cited concerns over the performance criteria. This concern seems to be constant throughout the policy's twenty-year history. For instance, one high level administrator that was in office early in the policy's life stated:

- *The program is vulnerable to having arbitrary standards leading to disagreement as to whether or not it [the standard or measurement] is valid or whether or not this particular objective is most appropriate. The bottom line was improving the product – the outcome – the student. I was concerned that anything other than that would appear to be a bureaucratic exercise in tossing a lot of money and spending a lot of time but not moving directly to the final object. (high level administrator)*
- *I think some of them [performance indicators] do better than others. It really depends on the measure. For instance in terms of the senior testing that is done, we have always had a difficult time finding the right test to do that. I am not sure that we have ever gotten a real good handle on senior tests here. (college administrator)*

Interviewees that expressed an opinion as to whether the policy cost the institution more than what it brought back in value had the following to say:

- *There were a lot of other things in this State that I felt were more wasteful than performance funding. Let's put it that way (high level administrator)*
- *I think you really have to look at your cost factor and see if you really are getting you money's worth out of this Go back to the early issues I was discussing about the intangible benefits of the policy. This[the performance funding policy] is a worthwhile operation although money-wise it's a neutral type of effect. (high level administrator)*
- *I have never heard the other side of what is that going to costs. The senior testing is a good example. I don't know how much we are spending on that but it's got to be a chunk of money. I don't know that the amount that we get back from meeting the national norms or raising our score some tenth of a percent or whatever the current level pays for it and is worth it quite frankly. (college administrator)*

The issue of the size of the monetary reward and its timing also arose several times:

- *For a statewide program, the state didn't recognize it all that well in my opinion. That is...I don't think the Board [Tennessee Board of Regents] recognized it nor do I think that THEC recognized the value of that program in trying to provide incentives to make higher education work better. If it is indeed a statewide program, then the state should have underwritten it with greater monetary allocations. Moreover, the appropriations should be separate from your normal appropriation. If an* *institution does well, the state should release funds at a time a part from the start of the fiscal year so you could really recognize it [the performance funding allocation] as an incentive and a reward for your students doing well, faculty doing well, for your programs being recognized. When you give both the formula driven appropriations and performance funding appropriations at the same time [of the year], the performance funding money gets lost in the larger allocation. I think that would have been a better way of doing it because any rewards were buried in everything else. (college administrator)*

Another high-level administrator cited in a similar vein;

- *What I am saying is that since the state failed to fund the universities at a 100% of the formula and since the performance funding dollars arrived at the University at the same time as State appropriations, they kind of got lost in the fray. It's hard to get excited about something when you can't see or touch it. (high level administrator)*

And yet another high-level administrator cited:

- *Yes, it [the performance funding allocation] gets lost. So when it keeps continuing getting lost in the general fund, then it is hard to get faculty interested in a formula on the rare occasion it gets funded 100%. You are familiar with the Chair of Excellence Program? Let's put it this way, the state appropriated certain dollars to be matched by dollars raised by the institutions to create Chairs of Excellence. Had they had a program like* *that we will allocate a million dollars to be reserved for performance and recognize those institutions that scored well, had they made that kind of public announcement like the Chairs of Excellence... We've got a pile of money over here, if you can match it we will fund you a Chair of Excellence. Well if you can come up to this measured score over here, we have a pile of money that we will give in addition to your appropriation. I think that would have worked a heck of a lot better because it would have made people pay attention to them. (high level administrator)*

Whether to Continue the Policy or Not?

When asked if the performance funding policy should be continued, discontinued, or modified, one senior administrator replied:

- *Well, you get into a dilemma either way you go. I think one of two things ought to happen. They either ought to start having a much larger impact on the amount of funding that an institution gets and perhaps in a slightly different form than it has now. Or, we need to quit spending time that we are putting into it. (high level administrator)*
- *I would hope that the state continues it even with all of the misunderstandings. It is good that there is an internal review. It is good that we measure outcomes. It is good that we find out about ourselves. So, I would hope that would continue it. I hope that they will modify it in such a way people could perceive it as an incentive to do better and that if we do better we will be rewarded. (high level administrator)*

- *That's a loaded question isn't it? I suppose I would like to see the philosophical basis on which performance funding is built continue. I like just the philosophical part of the idea. The way it has worked unfortunately, I don't think has worked out according to the philosophy. And, I don't know if it is the fault of the policy or if it is the fault of the State Legislature not funding us at the levels that they should. But, with the current situation as it is in the state, it is not having the impact that it was originally proposed to have. We are using it as basically band-aids, stop-gaps to make up for the lack in normal funding. (faculty)*
- *I would like to see it continue. I really think that it is a positive thing. I think it is the kind of things that if it is not over restrictive, if you are allowed to make some individual alterations to it in the sense of how your campus might be different from somebody else's campus. I don't think we ought to have a cookie cutter type thing totally. However, I think it helps reinforce some of the goals that we have in strategic planning or what have you. (college administrator)*
- *Well, part of the problem if you discontinue it now you would loose one source of funds that has become part of the regular base of operations of the university. Until Tennessee does something about its inadequate tax base, I think getting rid of it would just be another nail in the coffin.*

By and large, while most individuals find some fault with the performance funding policy, the general notion of outcomes assessment is well thought of. Most of the interviewees agree, however imperfect the policy might be, that the policy is the best instrument to fulfill the notion of public accountability. So while those interviewed support the philosophical notion of performance funding, it is the mechanics that they want to revise. Those possible revisions are discussed in the closing chapter.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Overview of Study

A case study was undertaken to develop a twenty-year perspective of performance funding at The University of Memphis. The case study involved the collection of data through numerous mechanisms including document analysis, open-ended interviews, first-hand observations, and extensive review of the literature.

The study was guided by the following research questions:

1. To what extent has performance funding penetrated The University of Memphis with regard to the awareness of the policy and its purposes?
2. To what extent has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?
3. Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?

Seventeen individuals were interviewed including seven high-level administrators, four college/departmental administrators, and three faculty members. Notable gaps in the interview pool include the past president from 1991-2000 and the past vice president of Business and Finance from the mid 1960's to 2000. Multiple contacts with both individuals were made and both declined to participate for unknown reasons. While the inclusion of both individuals would have been beneficial to the study, the absence of their thoughts and experiences is minimized by the inclusion of other key individuals during their tenure. In the case of the president, the provost that served during most of his tenure was included. In the case of the vice president of Business and Finance, the associate vice president who served during the majority of his tenure was also interviewed. In light of this, the researcher feels that the internal validity of the study remains strong.

Summary of Findings

1. How has performance funding affected The University of Memphis with regard to the awareness of the policy and its purposes?

By and large, the implementation of the performance funding policy at The University of Memphis remains largely an administrative function. Several themes emerged during the analysis and evaluation of data related to this research question.

- The execution of the policy has largely been handled, and continues to be handled, by the administrative staff. The amount of information pertaining to the policy below the president's cabinet is minimal and sporadic. When information is shared, it is generally done after the annual data has been submitted to THEC and the performance allocations awarded. Thus, dissemination is more on a basis of "this is how we did this year" versus "what can we do to improve next year".
- While there was a high level of interest in the policy by the university and subsequent administration early in the implementation cycle during the

1980s, the interest has since waned and it is now viewed more as an administrative and regulatory burden. Involvement by current administrations seems to be limited to the annual event of reviewing the performance scores and ensuing monetary allocations. Most of the daily tasks involved with performance funding are now handled solely by the Office of Academic Programs and Assessment.

- Awareness of the policy can best be described as a function of one's place in the organizational hierarchy and/or the length of one's tenure at the university. The nearer you are organizationally to the president's cabinet, the more likely you are to be aware of the policy. Likewise, the longer you have served at the university, the more likely you are to have heard about the policy. The penetration in the academic affairs division seems to be the deepest of all vice presidential areas.
- Understanding the mechanics of the policy as opposed to policy awareness is quite a different story. As with awareness, the early administrations had a better understanding of the policy than what now seems to be the case. A deep understanding of the policy appears to be limited solely to the performance funding officer. With the exception of the performance funding officer, very few of the senior administrators could name more than a couple of the performance indicators – and those were the ones that had been common through most of the twenty year implementation. Most college administrators were aware of academic measures like the exit

exam requirement or the departmental accreditation. Not one of the three faculty members interviewed, even those with long tenures, could identify any of the current measures.

2. How has performance funding affected educational decision-making at The University of Memphis with regard to the programs and/or programmatic decisions of the institution in relation to the policy?

As with policy awareness and understanding, the impact that performance funding has had on The University of Memphis appears to be a function of time. Early in the policy implementation, it was used by the university's leadership to effect modest change. The data suggests that in some cases, the policy almost appeared to be used as a cover for administrators to make difficult academic decisions, ones they knew needed to be made, that might not have been made otherwise. However, no documentation could be located to support any decisions of academic programs being eliminated or greatly effected.

Performance funding also brought about a good bit of change in the form of institutional assessment, program accreditation, and periodic program review. Early leaders felt that performance funding was largely responsible for the implementation of outcomes assessment at The University of Memphis. Moreover, it was seen as a prime motivator for departments to undergo accreditation. Review of the documentation shows that in 1979, less than two-thirds of academic departments were accredited. By 1982-83, 100% had undergone and received program accreditation – the first four-year institution in the State to do so. The University of Memphis has maintained 100% program accreditation every year since 1982.

As the policy continues to mature, however, its use as an instrument of major change seems to have diminished greatly to a point where it no longer drives the strategic planning process. In fact, in at least one instance, it was pointed out where strategic planning drove the selection of certain performance indicators.

The relationship that the performance funding policy now holds with strategic planning is somewhat at odds with the original intent of the policy. It is as if the university leadership charts whatever particular course towards excellence that it may envision, purposively selects indicators under their control that will maximize the performance funding, and then lets the chips fall where they may.

This is not to say that the performance funding policy no longer effects the educational decision making process on campus. For instance, in the 1994-1995 Performance Funding Annual Report submitted by Memphis to THEC, it noted that the department of Mathematics established a committee to review ways to improve teaching in undergraduate mathematics, especially in remedial and entry level courses. This was done in direct consequence because the average mathematics score on the CBASE exam declined from 316 in 1993 to 302 in 1994. As a result, the department implemented seven sections of MATH 1211 (College Algebra) where alternative teaching methods were employed. The balance of the MATH 1121 sections utilizing traditional methods was used as a control. Results of the CBASE Math scores from 1995 and 1996 show no improvements, and 1997 scores increased to 308. No further citation of the pilot Math classes was mentioned since the 1994 performance funding report.

If this is indeed an accurate portrayal of the current performance funding process as data seems to suggest, then the policy is certainly no longer the instrument of major institutional change that its early adopters might have envisioned for it.

3. **Based on professional experience and opinion, what strengths, liabilities and reform suggestions regarding the Tennessee Performance Funding Policy are identified by selected University of Memphis administrative and academic personnel?**

Two strengths of the performance funding policy were clearly identified. First, the interview population felt that the basic philosophical foundation of the performance funding policy continues to be valid – institutions of higher education should be accountable to its various constituencies. Many felt this policy was a significant mechanism to accomplish this. The second most identified strength of the policy, particularly early in its implementation cycle, continues to be its ability to motivate the university to do the things it might not otherwise chose to do. However altruistic the cause may seem, the fact is not lost that financial incentives played a key motivational role. Weaknesses of the policy were cited more frequently than strengths. Four categories of weaknesses emerged with close to equal frequency.

1. The policy does not provide a direct linkage between its execution and the subsequent performance funds that come back to the institution.

2. Failure to fully fund formula-driven appropriations for higher education significantly weakens the impact of the policy.
3. The mechanics of the policy, in the sense of its indicators, scoring, implementation, and reporting have become too unwieldy and burdensome for the amount of performance funding it returns.
4. All of the seventeen interviewees felt that the institution should be accountable to its constituencies. However, not all of the individuals interviewed would necessarily equate the performance funding policy as the instrument by which to do so. Of those who did have a solid grasp of the policy, none thought that it should be discontinued.

Conclusions

Following the examination of the findings from this study, the following conclusions have been derived:

Awareness, Attitude, and Institutional Commitment

As with any new initiative, there was much excitement and attention paid to the performance funding policy when first implemented at The University of Memphis. However, unlike The University of Tennessee, Knoxville, Middle Tennessee State, and several other state institutions, The University of Memphis (Memphis State University at the time) did not undertake many scholarly activities associated with its implementation. No grants were obtained to help study the effects of performance funding nor were any peer reviewed journal articles generated documenting its early history.

There have been only two presidents (as well as two interim presidents) over the twenty-year period that this study is focused upon. With each new administration, it seems the amount of ownership, and therefore institutional commitment and excitement towards the policy diminishes. Today, the policy is viewed more as a regulatory mandate than innovative policy. Because of this, the amount of communication about the policy throughout the hierarchy of the organization is now minimal.

The University continues to go through the motions to earn the monetary rewards associated with the scores. There appears to be minimal concern about the swing in points from year to year. With minimal intervention, their performance funding allocations vary by no more than $40,000-$50,000 from year to year – an amount with which they seem content. Moreover, where possible, there seems to be purposeful selection of variables that will maximize their annual performance with minimal efforts.

In Support of Outcomes Assessment and Public Accountability

There is little argument among the interviewees that The University of Memphis is both accountable to the public and that outcomes assessment is a useful instrument in achieving that goal. The University did not have an outcomes assessment plan before the policy began in the 1980s. Many of the interviewees involved in the early implementation of the policy on campus firmly feel that the performance funding policy was the single largest driving force behind outcomes assessment at the University. At least one interviewee thought that it would not have come about otherwise.

Because the performance funding policy provided an early incentive for implementing outcomes assessment, The University of Memphis as well as the other state institutions were well equipped to respond to the assessment movement that emanated from SACS in the mid-to-late 1980s.

Unquestionably, those interviewed agree that the execution of the policy then, or even now, is less than optimal. There is little argument, however, that outcomes assessment should be conducted as verification of educational gains and overall quality of the institutional. And while not all agree that the data are useful in educational decision-making, some interviewees did identify the policy as a good means of taking measurement of the overall standing of the institution.

Without something better waiting in the wings, most if not all, would agree that the current performance funding policy is the best instrument to establish and maintain public accountability today.

Effect on Educational Decision Making

Particularly early in the implementation of the policy, performance funding was cited on several occasions as the impetus for making programmatic decisions that might not have been made otherwise. As the policy celebrates its twentieth anniversary, those interviewed in the current administration would support the notion that the policy now has minimal effect on educational decision-making or the overall strategic planning process on campus. Decisions made because of the policy are generally small in nature – minor tweaks in already established programs.

Return on Investment

Few individuals at The University of Memphis would argue that resources have not been severely constrained during much of the 1990s. With doubts lingering about the validity of some of the indicators coupled with the inordinate amount of effort that is required to collect most of the supporting data, some interviewed questioned whether the amount of effort exerted exceeds the monetary rewards returned in doing so.

This sentiment combined with others mentioned in this section probably contributes significantly to the negative attitudes towards performance funding expressed by many interviewees currently on campus. The lack of resources and the lack of rewards for efforts seems to have led to a minimalist attitude – chart the course for excellence you feel is obtainable and let the performance funding chips fall where they may.

Moreover, this sentiment perhaps best explains why the responsibility of executing the performance funding policy has been relegated to the Office of Academic Programs and Assessment. The person who heads this office is commonly referred to as the "performance funding officer" and his staff assumes a majority of the burden for its execution. The president at the time of the study and his cabinet had very little to do with the performance funding policy. Their only interaction came at certain times of the year (e.g., to review the results). Even decisions about how to distribute performance funding allocations have been essentially eliminated since they now go into the general university fund as another source of revenue to support the University's operation.

Uses of Performance Funding Dollars

During the 1980s and into the early 1990s, performance funding dollars were viewed as funds over and above normal state appropriations at The University of Memphis. As such, they were frequently targeted towards programs that promote excellence in undergraduate instruction or somehow furthered the cause of performance funding. However, as echoed several times throughout this study, funding levels at The University of Memphis have reached such a crisis state that performance funding dollars are simply merging into the general funds, loosing their identity, and thus being used to support the everyday operations of the University. Some would argue, probably in defense of this practice, that if the everyday operations of the University exists to promote excellence in undergraduate education, that commingling performance funding allocations with general funds is okay and ultimately achieving desired intent of the policy.

Major Field Tests

Degree programs in engineering, architecture, accounting, nursing, teacher education, and others where professional licensure or certification examinations are part of the norm have fewer problems with the concept of major field tests than those departments where students are required to take major fields tests purely for performance funding. Since students in these degree programs are required to pass these examinations in order to practice in their respective fields, motivation to do well is obviously high. Moreover, these degree programs have no latitude in choosing the test – it is decreed and often administered by the appropriate professional organization.

By and large, those departments whose students do not take a licensure or certification exam have concerns about the validity of their major field tests as a performance-funding indicator. First and foremost, lack of student motivation to do well in these exams is a chief concern. Are these departments and ultimately the institution unfairly or unknowingly penalized because of this? How might they minimize this phenomenon? Could a major field test be incorporated into a capstone course and count as part of the course grade? Should it be a requirement for graduation? Graduate programs are based on this concept - written and oral comprehensive examinations are required for graduation.

While lack of student motivation is an issue, these departments do have much greater flexibility in designing and implementing their concept of a major field test, which they view as a positive. With this flexibility, however, comes an issue of validity and reliability. Is validity in major field test scores established if only a small handful of students are tested in a given year? And, depending on how these tests are administered, an issue of inter-rater reliability as well as year-over-year reliability is introduced.

General Education Testing

Of those interviewed that were familiar with the mechanics of the performance funding policy, the one indicator that seems to give them the most cause for concern was the "Foundation Testing of General Education Outcomes". THEC permits institutions to chose among the following tests to measure performance for this indicator: California Critical Thinking and Skills Test, College BASE, or ETS-Academic Profile.

In particular, concern was raised about the validity of the data generated by the use of standardized tests overall. For instance, in the report from the General Education Committee, General Education: 1989-1997, the statement was made: "...the University was required to use the ACT-COMP examination from 1978 through 1992, but faculty and administrators found very little validity in the test results and all but ignored them."

In 1992, the University was given the opportunity to choose a new examination, and based on recommendations from a faculty committee, chose the CBASE exam. Unlike The University of Tennessee, Knoxville, where a random sample of exiting seniors is selected to take the exit exam, The University of Memphis mandates that all graduating seniors (on average 1500 to 1800 students) take the exit examination. By forcing all graduating seniors to take the exam, The University of Memphis has sidestepped the issue of resentment (i.e., why do I have to take the exam if my roommate doesn't) and, overtime, has likely improved the motivational level of seniors taking the exam.

Despite the relatively low opinions of the validity of exit exams, there is documented evidence where the University administration takes it seriously enough to effect change in certain academic programs. As noted earlier, the department of Mathematics established a committee to review ways to improve teaching in undergraduate mathematics because the average mathematics score on the CBASE exam declined from 316 in 1993 to 302 in 1994.

Because of the skepticism associated with this measure and in an effort to better assess their graduating seniors, The University of Memphis tested 122 graduating seniors using the ETS Tasks in Critical Thinking test as part of a THEC project to examine alternate forms of general education evaluation. These tests were administered in the 2000 academic year. It is too early to determine if this metric will be any better at capturing the improvements in education as compared to the current CBASE exams.

What is unclear to the researcher, however, is why The University of Memphis substituted one standardized test for another. If the administration places so little faith in the validity of standardized test, why did they not pursue alternative forms of assessment such as portfolios or capstone projects – both of which are allowed under THEC's project to examine alternate forms of general education evaluation.

In summary, The University of Memphis has traditionally not done very well on this metric in part because of their urban mission and the students from which they traditionally draw. Thus to compare Memphis to a national norm puts the institution at a distinct disadvantage. A closer examination of the performance funding reports submitted by the University to THEC shows a steady decrease in the scores on these tests by their exiting seniors since 1996; scores already below the national average.

Program Accreditation and Peer Reviews

In the late 1970s, the number of academic departments that had obtained program accreditation was less than two-thirds. Performance funding provided the early impetus for these departments to undergo the arduous process of accreditation. Of the degree programs that have some type of external accreditation agency, 100% had received accreditation by 1982-83 – the first four-year institution in the State to do so. The University of Memphis has maintained 100% program accreditation every year since 1982.

Once obtained, academic departments go out of their way to ensure that accreditation is kept. They do this mostly out of their own sense of pride and the prestige and academic honor that accreditation brings. The fact that academic program reviews remain as a performance funding indicator today probably has little to do with the department striving to keep accreditation.

"We" vs. "They" Syndrome

Every single interviewee for this study, whether they had a good grasp on the performance funding policy or not, communicated a "we" vs. "they" mentality. In this case, "they" was interchangeably used to refer to the Tennessee Board of Regents, THEC, and the State legislative branch. "They" impose the performance funding policy, "they" determined the scoring mechanisms, and "they" do not listen to what "we" feel is the best way to measure the quality of our institution. Only one member of the university administration, the performance funding officer, participates on the THEC Commission on Performance Funding.

Policy Outcomes

A central question to this study is whether the policy has achieved its desired goals or not. First and foremost, has outcomes assessment been implemented at The University of Memphis? The answer is a resounding yes and the performance funding policy was identified as the catalyst. As far as the policy's goal of improving undergraduate student educational outcomes, this study cannot affirm or deny that proposition. It is true that the policy's implementation has provided a wealth of information to campus decision makers. It is true that the campus made certain changes in their educational programs based on that information. However, it is not discernable whether these changes directly led to educational improvements or whether other factors were involved.

What is apparent, however, is that The University of Memphis' actions towards the policy as it exists today appear to be mostly cosmetic. If such is the case, it is difficult to believe that the existence of the performance funding policy today is leading to any appreciable educational gains.

Recommendations

A number of recommendations resulted from this study. Most of them are targeted more towards THEC and the State's legislative body. However, some are equally applicable to The University of Memphis.

1. **One Size Does Not Fit All** – Of those interviewed who understood the policy, all felt that no single set of indicators could adequately measure all of the state's institutions of higher education as devise as they are. From here, the group divided into two schools of thoughts. The first group felt that each institution should be given the autonomy to develop a set of indicators that best measure their goals and aspirations. The second group of interviewees felt that institutional type and mission should define logical groupings of indicators. Thus, indicators for the State's research schools would be different than those for the four-year comprehensive universities and those for the State's technical and community colleges.

Of the two options, the researcher feels this latter is more feasible. In particular, THEC should add a third set of standards for the State's research institutions thus having an individual set for research, four-year, and community/technical colleges. The standards for research schools should be designed to better capture the schools underlying research mission. Indicators might include metrics that capture technology transfer, State economic development, and public service.

2. **Replace Inappropriate Performance Measures/Rebalance Weights –** Again, of the interviewees who understood the mechanics of the policy, most felt that the current indications did little to measure excellence in undergraduate education by either (1) measuring inappropriate attributes or (2) underemphasizing or overemphasizing others.

For example, student/alumni satisfaction surveys are likely an inappropriate measure for an urban institution like Memphis that cannot build the residential campus atmosphere and connection like a UT Knoxville with a big-time athletics program. THEC should give The University of Memphis the flexibility of better capturing student satisfaction. The University of Memphis would have to study this problem to best determine appropriate indicators to capture such.

Other indicators should have more emphasis placed on them such as academic program reviews and accreditation.

3. **Increase Tie to Strategic Planning –** It is clear from the interviews that The University of Memphis places a large emphasis on strategic planning in order to establish and achieve it's mission. However, THEC only allots five points for achieving institutional goals in the current cycle. The researcher recommends that this number be increased, not only for the benefit of Memphis, but all the State's schools so they may more tightly integrate strategic planning with the performance funding policy. Doing such will likely have a secondary effect as well – increasing institutional ownership of the performance funding policy. The policy would be internalized and gain greater acceptance and no longer be viewed (or viewed less) as a mandated regulatory burden.
4. **More Clearly Delineate Funds –** Several of the interviewees felt that the performance funds lost their identity, and therefore some of their effectiveness, when they arrived on campus at the same time as the general state appropriations. It was felt by at least two interviewees that the funds would carry a greater "psychological punch" if they arrived in October or November, several months after the budget year had started and things had settled down (from a financial/budget point of view).
5. **Lessen Policy Burden –** The policy has evolved and grown through the years and become cumbersome to administer. The time it takes to fulfill all the reporting requirements has become especially troublesome. THEC should consider reducing the volume of paperwork in favor of a more simplified process for institutions.

6. **Increase Performance Funding Allocations** – This sentiment was conveyed by those most burdened with the execution of the policy. The amount of effort necessary to execute the policy has become disproportional to the amount of performance funds returned back to the institution. While it is desirable to lessen the policy burden, that will be difficult to achieve and is unlikely to take place. However, increasing the financial impact would achieve the same result and is more readily achievable.
7. **Full Formula Funding** – While not directly related to the performance funding policy, it was the overwhelming opinion of all interviewees that maintaining the policy in the shadow of poor state appropriations undermined its effectiveness. Several interviewees mentioned that the funds were being used for basic operating needs and therefore could not be targeted to actually improve student outcomes. If the State legislators and THEC really desire this policy to improve outcomes, then basic formula funding will need to be increased to a level where schools do not have to rely on performance funding allocations for basic survival.
8. **Institute Policy Awareness Program** – Awareness of the policy had very little penetration throughout the hierarchy of the university. It will be very difficult for The University of Memphis to increase ownership and interest in the policy as long as awareness remains so low. The University of Memphis would be better served if they instituted an awareness program that informed faculty and administrators alike of the policy's intent, mechanics, and year-over-year performance results. Putting past results and current goals to the University's web

page would enable easy access to information and eliminate a frequently cited barrier. The State legislative body might also be well served if every member of the House and Senate received a primmer on the performance funding policy and its impact on higher education in the State.

9. **Investigate Alternative Forms of Assessment** – if The University of Memphis places so little faith in the validity of standardized tests as a means of assessing improvements in student outcomes, then they should vigorously pursue alternatives forms of assessment like portfolio assessment. Arguably alternative assessment methods take much more resources to implement than that of standardized tests, but if the University is committed to assessing the what their students have learned, then they should step up to the plate.

Recommendations for Further Study

A number of possible studies could be conducted to complement this study and further add to the prevailing body of literature. As noted earlier, this study is but one of six being conducted as part of a larger national study. The other four studies concentrated on the twenty-year history of performance funding at The University of Tennessee, Knoxville (Hall, 2000), Tennessee Technological University (Lorber, 2001), Walters State Community College (Shaw, 2000), and Volunteer State Community College (Freeman, 2000). A fifth study, still unpublished at the time of this study, will look at the effect of the performance funding policy at the State level. The first recommendation would be to perform a meta-analysis of the six case studies recently completed to see which trends are common across a diverse set of institutions across the

State. Bogue (2000) provides an excellent summary of the Tennessee performance funding policy but stopped short of conducting a full-fledged meta-analysis.

A second study might be to contrast the effect of performance funding policies in states where it is voluntary with small rewards (e.g. Tennessee) against states where it is mandatory or with large rewards (e.g. South Carolina). Studying the differences between the two dramatically different policies might yield differences in institutional commitment, improvements in education, policy mechanics, and the like.

A final recommendation might be a cost-benefit analysis of the performance funding program in Tennessee. Each year, institutions across the state invest hundreds of thousands of dollars to fulfill the requirements of the policy. Chief among the questions to be answered are how high are the institutional costs for fulfilling the performance funding requirements and how does it compare to the reward that is received from the state? Also, what are the non-tangible benefits of performance funding to students, institutions, communities and the state? This study could give clarification to the assumption that was raised by several of the participants in this current dissertation study, that the reward was not worth all the cost, time and effort.

Few would argue that the performance funding policy, when first introduced in the late 1970s, was both innovative and effective. Over the twenty-four year history of the policy, however, it has grown relatively ineffective and is no longer viewed as a catalyst for change. This study, as well as the other studies cited above, provides a solid foundation from which THEC and the leadership from the State's post-secondary institutions can totally rebuild the policy from the ground up.

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APPENDICES

Appendix A – Introductory Letter to President

February 25, 2000

Dr. Lane Rawlins, President
University of Memphis
Memphis, TN 38192

Dear President Rawlins:

Tennessee is one of five states participating in a national policy study of performance funding, a study funded by the PEW Charitable Trusts and coordinated by the Higher Education Program at the Institute of Government at SUNY Albany. This national study is primarily a survey study, and I am working with a team of five other researchers on the study.

A team of six doctoral students in our Educational Administration and Policy Studies program working with me and other members of their respective doctoral committees has developed an interest in exploring the 20-year campus experience with the Tennessee Performance Funding Policy. They have proposed case studies of several different institutions, and the University of Memphis is one of those institutions we would like to include.

These campus case studies would seek to understand campus experience with the policy. As seen by campus stakeholders, have there been constructive impacts, impeding or dysfunctional campus impacts? Have there been serendipity or unanticipated benefits or liabilities? What suggestions might campus administrators and faculty leaders offer to modify the policy.

You will soon receive a contact from Mr. Dewitt Latimer, the doctoral student who would like to develop a case study at UM by interviewing selected administrative/faculty officers and reviewing documents pertinent to the institution's experience with performance funding.

The University will be given the opportunity to see the study in draft form and to make comments on the case study report. The anonymity of any person interviewed will be protected in the analysis and reporting of results.

I understand that you will be leaving soon for another presidential appointment. As an alumnus of UM, let me also take this opportunity to express appreciation for your investment of time and talent on behalf of the University and to wish you well as you take on new leadership responsibilities. Many thanks for your consideration of this policy research proposal.

Warm regards,

E. Grady Bogue,
Professor, Educational Administration and Cultural Studies
The University of Tennessee
April 20, 2000

Dr. Lane Rawlins, President
The University of Memphis
341 Administration Building
Memphis, TN 38152

Dear President Rawlins:

An earlier letter to you from Dr. E. Grady Bogue introduced a study on performance funding coordinated by the Higher Education Program at the Institute of Government at SUNY Albany. I am the case study officer assigned to The University of Memphis.

I would like to visit your campus and perform an initial interview with you in the near future. Recognizing that you will soon be stepping down for another appointment, I will gladly do this at your earliest convenience. I expect this interview to take between an hour and hour and a half.

It is my desire that this initial interview establish the groundwork for an intense two-week interview period from June 19 to June 30, 2000. In addition to getting your thoughts about performance funding at Memphis, I would gladly welcome your advice as to who else I can gain further insight from. A mutual friend and colleague of ours, Dr. Jim Penrod, has graciously agreed to help me in arranging logistics during this period.

Thank you for your consideration and support of this research and I look forward to meeting with you soon. If you need to speak with me in the interim, please do not hesitate to contact me at 865-974-9265 (o), 865-77-1858 (h), or dewitt@utk.edu.

Sincerely,

Dewitt A. Latimer,
Ph.D. Candidate and
Director, Computing and Network Services
The University of Tennessee

Appendix B – Open Letter to Participants

April 16, 2001

«Title» «FirstName» «LastName»
«Company»
«Address1»
«City», «State» «PostalCode»

Dear «Title» «LastName»:

During the past thirteen years, public institutions of higher education in Tennessee have been engaged in the assessment of general education of their students under the Performance Funding Project. As a doctoral student in higher education at The University of Tennessee, Knoxville I am interested in the effect that the general education assessment has had on general education at public two-year institutions of higher education in Tennessee. As a part of my research, I am conducting a short survey if chief academic officers, performance funding coordinators, and faculty members who are involved with general education decisions or performance funding at the fourteen public two-year institutions.

By participating in this study, you will be contributing to a better understanding of how general education assessment is used in public two-year institutions. The outcomes from this research have the potential to inform decisions that are made regarding assessment policy and practice.

I am requesting that you participate in this study by completing the attached survey. Your responses will not be identified with you or your institution. Responses will be analyzed as a group. Following the data analysis of the survey, I will contact you to set up an individual interview. As with the questionnaire data, your interview responses will not be identified with you or your institution.

Participation in the study is voluntary and requires your consent. In addition to the survey, you will also find a consent form enclosed. Please return the consent form in the separate envelope provided. Please return the survey and the consent form no later than (____)

If you have any questions regarding the research, I can be reached at 865-974-9265 (work). Each participating institution will receive a copy of the findings of the study. I will appreciate your participation in this research.

Sincerely,

Dewitt Latimer
Candidate for Ph.D.
The University of Tennessee, Knoxville

Appendix C – Consent Form

Project Title: A Case Study of the Twenty-year History of Performance Funding at The University of Memphis

The purpose of this research is to describe the twenty-year history of performance funding at The University of Memphis. Your participation in this research will involve an interview that will last about one hour. This study will provide an overview of the factors involved in the longevity and endurance of performance funding at The University of Memphis. In particular, the researcher is interested in learning how performance funding has changed over time, the impact on the University, the downsides or liabilities of it, ways to improve it, and forecasts for the future of performance funding. This study may have no personal benefits for you. However, participation in the study will benefit higher education as a whole by assisting in the gathering of this important information. Participants in this study will not be exposed to risks that are greater than that of daily life.

As a participant, your identity and the office you represent will be kept confidential unless you give your permission otherwise. Your agreement to participate in this study will be through the signing and returning of one of the enclosed consent forms in the envelope provided. The second consent form may be kept for your records.

Participant confidentiality is conveyed by our acceptance of your consent form. Confidentiality of the material from the interview will be maintained by limiting access to the interview information to the researcher and one assistant. The assistant will transcribe the interview tapes only after he/she has signed an agreement of confidentiality. The results from this study will be presented as part of my doctoral dissertation. The signed consent forms will be stored in a locked filing cabinet in the Leadership Studies Unit at The University of Tennessee, Knoxville. The interview tapes and transcriptions will be stored in a locked cabinet, while not being interpreted or transcribed. Materials from this research will be maintained for a period of three years after the conclusion of the study. After this time, they will be destroyed.

Your participation in this study is voluntary. Choosing not to participate will have no adverse effects. You may withdraw at any point during the study without penalty. If you have questions about the research, either now or later, please contact Dewitt A. Latimer, 200 Stokely Management Center, University of Tennessee, Knoxville, or call 423/974-9265. If you have questions about your rights as a participant, contact the Compliance Section of the UTK Office of Research at 423/974-3466.

I have read and understood the explanation of this study and agree to participate,

______________________ Name (Please Print)	______________________ Date
______________________ Signature	______________________ Area Code/Day-time Phone

By also signing below, I agree to have my name and office identified with my transcript.

____
Signature

Appendix D – Interview Protocol

Thank you for agreeing to talk with me today about performance funding at The University of Memphis.

You were previously sent a statement of confidentiality where you where assured that your name would not be identified in this research unless you gave written permission to use a direct quote. I would like to reassure you that this is indeed the case. Do you have any questions or concerns about the confidentially of this study?

I would like to tape this interview. A research assistant who has also signed a statement of confidentially will transcribe the tapes. The tapes will be destroyed afterward and the transcripts kept in a secure environment. May I have your permission to tape the interview?

Warm-up Questions

1) How many years have you been at Memphis? In what capacities?

2) Have you been employed at other institutions? In what capacities?

Okay, thank you. Are you ready to discuss performance funding?

3) Tell me about performance funding at Memphis?
   a) Probe: Have you been directly involved with performance funding at other institutions and/or states?
   b) Follow-up: If yes, how would you compare your opinions of performance funding there with it in Tennessee and/or at Memphis?
   c) Probe: Can you give me an example of an activity you have been involved in that was directly impacted because of performance funding?
   d) Probe: Are a lot of your colleagues involved with PF activities?

4) Are you aware of any educational program at Memphis that has been heavily influenced by performance funding?
   a) Follow-up: If yes, please explain.
   b) Probe: Probe same question on processes, policies, and/or decisions.
   c) Probe: In your opinion, how has assessment of student outcomes changed due to this policy?
   d) Probe: In your opinion, how have actual student outcomes changed due to this policy?

5) In your experience with performance funding, what is its greatest strength?
   a) Follow-up: Can you provide me with an example to illustrate this strength?

6) In your experience with performance funding, what is its greatest weakness?
   a) Probe: Can you provide me with an example to illustrate this weakness?
   b) Follow-up: What is your opinion of criticisms of performance funding relating to decrease of campus autonomy?
7) What is your opinion that the policy is both an incentive for improvement and a reward for improving student outcomes?

8) What is your opinion of tying monetary rewards to student assessment?

9) How can the policy of performance funding be improved?
   a) Follow-up: Should the policy be modified?
   b) Follow-up: Should the policy be discontinued?

Appendix E – Confidentiality Statement

Project Title: A Case Study of the Twenty-year History of Performance Funding at The University of Memphis

I, ________________, understand that the transcriptions of the interviews that I will undertake are to be kept confidential, These transcriptions are only to be discussed with the researcher for purposes of clarification. I will keep all information seen through these transcriptions confidential including identities of participants and information given.

I have read the above statement and agree with the conditions of my services.

_________________________ Signature

___________________ Date

VITA

Dewitt A. Latimer was born in Southern Pines, North Carolina on June 27, 1962. He attended school in Greenville, South Carolina where he graduated from Eastside High School in 1980. Mr. Latimer attended Clemson University where he received a Bachelor of Science in Mechanical Engineering in May 1984. While working as a full-time computer analyst for Clemson University, Mr. Latimer completed his Masters of Science in Mechanical Engineering in 1986.

Mr. Latimer continued to work for Clemson University as Director of Technology for the College of Engineering until January 1996 when he left to become Director of Academic Computing and Technology at Kent State University in Kent, Ohio, where he also started working towards a Ph.D. in Higher Education Administration. In January 1998, Mr. Latimer took the position of Director of Computing and Network Services at The University of Tennessee where he completed his Ph.D. in Education with a concentration in Higher Education Administration.