

May 27, 2014

Board of Regents
State of Iowa
11260 Aurora Avenue
Urbandale, IA 50322

Re: University of Iowa Faculty Senate Response to Performance-Based Task Force Report

Dear Regents:

On behalf of the University of Iowa faculty, we thank you for sending us the report of the Performance-Based Revenue Model Task Force. We have spent considerable time reviewing the report and appreciate the time that the Task Force spent on it. We are also grateful for the time that both President Rastetter and Regent McKibben have taken to meet with us to talk substantively about this issue and others. We sincerely appreciate opportunities to communicate with you all face-to-face and have worked in good faith to engage with the Regents directly. We are grateful for your work on behalf of UI, ISU, and UNI, and we hope to build productive relationships with each of you during our tenure as Faculty Senate officers.

As faculty, we are passionate about teaching and derive great personal joy from working with students. We are both humbled and inspired by the trust that families place in us to educate their children. We are also Iowans, and we are engaged in research and outreach efforts to improve the lives of fellow Iowans in our own communities and around the state.

We understand that the current funding model for the Regents' institutions has been in place for several decades and needs to be reviewed, as all programs should be reviewed from time to time. In addition, while we know from first-hand experience that Iowa students feel welcome and valued at UI, we support the goal of enhancing UI strategies to recruit more Iowa resident students, provided that we can ensure adequate housing and a high-quality education for all. We have expressed our support for these efforts to President Mason.

Moreover, we support, in principle, the use of a Performance-Based Funding model. Most states around the country allocate some fraction of funds based on performance metrics. Performance-based factors generally include students' progress toward degree and degree attainment, research, quality of programs, diversity of enrollment, employment rates, and other indicators of success. We are proud of the quality of our students, academic programs, and research and are confident that UI would fare well under standard measures of success.

We have serious concerns, however, about the specific metrics of the Task Force's proposal. The proposal would allocate a full 60% of funds based exclusively on the number of Iowa resident students enrolled at each university and 25% of funds based on access, progress, and

degree attainment of exclusively resident students. UI is a tier 1 research university that attracts many students from around the world as well as from within the State of Iowa. It is also a large and complex institution with high fixed costs that do not vary with fluctuations in enrollment. The proposal's emphasis on resident student enrollment would likely result in slashing UI's budget by \$50-60 million. Such a huge loss of funding – even if phased in over time as suggested – would damage UI and its ability to compete with other research universities. Moreover, such a drastic change would likely have negative consequences for ISU, UNI, and the state as a whole. The following are a few of our specific concerns.

First, the proposed funding model does not take into account contrary data presented to the Task Force and lessons learned from other states.

Over the past year, the Task Force heard a number of presentations from groups who have had experience with or who have studied higher education funding models. That data is now available on the Regents' website. The data makes two things clear with regard to best funding practices. First, different universities within a state should be subject to different funding models that reflect their individual missions. Second, enrollment-based funding is not the best method for achieving the goal of increasing the number of state residents who have completed a college degree. The Tennessee presentation demonstrated the “basic disconnect between policy goal (completion) and finance policy (enrollment).” The Task Force Report acknowledges this disconnect, saying that “raising enrollment in and of itself is not the Board's priority” and that “[e]nrolled students who are making slow progress toward their degrees, who are generating ever greater student debt, who may or may not graduate, are all counted as enrolled.” Nevertheless, it proposes a single model for all three institutions in which 60% of funds would be allocated purely according to state resident enrollment.

Second, the proposed funding model undervalues graduate and professional schools.

While undergraduate education is vital at all universities, graduate and professional programs are very important to large research universities like UI. It is through these programs that UI is able to provide so many of Iowa's doctors, dentists, pharmacists, physician's assistants, physical therapists, speech therapists, audiologists, lawyers, and other professionals. The reputation of these programs also brings recognition to the state and helps to make all of UI's degrees – including undergraduate degrees – more valuable. The proposed funding model disadvantages graduate and professional schools by not taking into account the much higher costs of training these students. As Task Force member Hadley points out in his minority report, the resulting shortfall in funding for graduate and professional programs could lead to: a cut in overall enrollment in those programs; a cut in the number of Iowa residents enrolled in those programs relative to non-residents who pay higher tuition; or a general increase in tuition and fees. None of these options would be good for Iowa. Other states deal with the issue by weighting the number of graduate and professional students more heavily in the funding model. We believe that Mr. Hadley's proposal to use multipliers for master's, juris doctorate, doctoral, and health sciences students could be a step in the right direction.

Third, the proposed funding model undervalues the importance of UI research to the university and to the state economy.

It is well documented that UI research is a major source of innovation and economic growth for the State of Iowa. This research not only leads to cutting-edge advances in health care for the benefit of all Iowans, but also generates thousands of Iowa jobs. Yet, only 5% of funding in the proposed model relates directly to research. The Task Force Report provides no data on the economic impact this model would have on UI research or on the state. This lack of data is particularly troubling given that federal funding from NIH and other agencies, an important source of funding for UI research, has been drastically cut in recent years and is not expected to rebound any time soon.

Fourth, the proposed funding model could conflict with the TIER review being conducted by Deloitte and KH Consulting.

The Regents have hired Deloitte to identify opportunities for improving the efficiency of Regents' institutions. The UI Faculty Council recently met with the lead representative of KH Consulting, the firm hired to review academic programs for Deloitte. The KH representative praised UI's diverse student body and explicitly discouraged UI from emphasizing the enrollment of resident students. More broadly, Deloitte has been charged to find ways to reduce redundancies and promote collaboration among the three universities. The proposed funding model runs contrary to those goals by incentivizing UI, ISU, and UNI to pursue identical strategies and to compete against each other. The model encourages all three universities to recruit more resident undergraduate students and undervalues differentiation among the institutions – e.g., graduate and professional schools, research, etc. Moreover, the model gives financial incentives to the institutions to engage in a three-way bidding war for the same shrinking pool of students.

The Task Force Report acknowledges that “shifting to enrollment could spur an arms race among the public universities, and between the public universities and other higher education alternatives in Iowa, that wouldn't be healthy for the Iowa higher education system overall, and again, may not produce any greater number of degreed Iowans.” Even more troubling, it says, “[f]inally, and this unpleasant fact must not be ignored, the number of college-aged Iowa residents is projected to fall by 17% by 2030. Too narrow a focus on enrolling resident Iowans then would not be a positive step for our State.” We agree, and therefore fail to understand why the lion's share of funds should be based exclusively on state resident enrollment.

In conclusion, state legislative spending must serve the interests of all Iowa residents and be accountable to all Iowa taxpayers. While we are sensitive to the needs of our sister schools UNI and ISU, we do not see how the proposed model – even if slightly modified or phased in over time – balances the needs of the three universities and other Iowa constituencies. We ask the Board to postpone consideration of this model until it can conduct an economic impact study and until the results of the Deloitte review are known. Alternatively, we urge the Board to consider other approaches such as Mr. Hadley's proposal or otherwise to rework the model.

Sincerely,

Alexandra Thomas, M.D.
President

Christina Bohannon
Vice-President

Erika Lawrence
Past President

Tom Vaughn
Secretary