Overview: Performance Funding in Public Higher Education

The Politics of Student Success: Meeting the Challenges – From Readiness to Completion
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Public funding of higher ed

From most-traditional funding form to least:

- Incremental changes to base appropriations (16 states)
- Credit hours attempted or enrollment relative to cost factors (26)
- Peer-institution benchmarks (14)
- Performance-based metrics (17)
- Vouchers (1)

Numbers do not sum to 50, because some states use more than one approach.

SOURCE: 2010 MGT of America study for Arizona's Getting AHEAD initiative.
Tying funding to outcomes

30+ years of experimentation:
- Performance 1.0 in 25+ states.
- Researchers: “Popular but unstable.”
- 14 of 26 states dropped PF 1.0; 2 later brought it back.

Factors contributing to failures:
- Lack of buy in from colleges and universities.
- Departure of key legislative supporters.
- Overly complex formulas.
- State budget challenges.
- Funding seen as “add on” to base support.
Performance Funding 2.0

Entering a PF 2.0 round:

- States implementing new formulas or major changes: IN, OH, PA, TN, WA and WV.
- State with pending legislation: TX.
- States studying PF 2.0: AZ, CT, LA, MD, MI, NM and MT.

Preview: Washington state CC model
9:15-10:15 a.m. tomorrow
- Jan Yoshiwara, Washington State Board for Community and Technical Colleges
- Jane Sherman, Washington State University
Behind the 2.0 resurgence

Why are policymakers tying funding to outcomes?

- Public higher ed is a major economic contributor that must be better aligned with public priorities.
- The “New Normal”: We need to think differently about public higher education spending.
- Growing public concern about accountability and quality.
- Colleges and universities can—and should be—more efficient, effective and productive.
What we’ve learned

Stable, successful models:
- Begin with broad state goals.
- Keep it simple and fair.
- Engage and consult higher-ed leaders.
- Find ways to protect against volatile, unpredictable funding shifts.
- Take institutions’ differences into account.
- Rely on timely, relevant and reliable data.
- Put a significant share of funding at stake in the base.
What else we’ve learned

Some findings based on recent experience:

- Performance metrics can be used to allocate state budget cuts across institutions.
- Extra weight can be built into formulas to encourage graduation of at-risk students.
- Institutions can be rewarded for helping students at open-access institutions reach “momentum points.”
- Formulas can be phased in.
Sample metrics

Let institutions pick from an array of 7-10 potential metrics, disaggregated by race/ethnicity, income, gender, age and language.

Inputs: Total enrollment, proportion of adults enrolled, etc.

Process/intermediate: transfer incentives for sending and receiving institutions, grade inflation, NGA metrics, retention, “momentum points,” etc.

Outcomes: Increase in year-over-year graduates, on-time graduation, extra weight for harder-to-serve students.
Pennsylvania

Funding model in state regulation:
- 7% of funding allocated by performance: persistence, graduation rates, degrees awarded, costs/FTE student.

Evidence of effectiveness:
- Graduation rates up 10 percentage points.
- Latino student persistence up 15 points.
Indiana

Funding model in state law:

- **2003-07**: Research.
- **2007**: Research, number of degrees, on-time graduation, two-year transfers.
- **2009**: Research, number of degrees, on-time graduation, two-year transfers, low-income student completions, non-credit workforce training.
Lumina Foundation

The Big Goal: 60 percent of working-age Americans will have high-quality degrees and credentials by 2025.

- The Foundation endorses performance funding as part of its “Four Steps to Finishing First” productivity agenda.
- Support nonpartisan research by Community College Research Center at Teachers College, Columbia University.
- Support organizations that offer training and technical assistance.
PF 2.0 Concerns

Concerns raised by performance funding:
- Heightened risk of grade inflation.
- Incentive to admit only the better students.
- Challenge to sustain when colleges improve and there’s no new money.
- Lack of quality measures could reduce academic programs to same level of mediocrity.
Wait, let’s step back …

Don’t we have performance funding now?!?

Enrollment-driven formulas:

- Incentivize colleges and universities to enroll increasing numbers of students without regard for whether they can graduate.

- The outcome: Fewer than 60 percent of first-time, full-time students earn bachelor’s degrees within six years.
Addressing quality

Performance funding options:
- Metrics that guard against grade inflation and increasing selectivity.
- State funding for technical assistance to struggling institutions.

Higher ed defines quality:
- High-quality degrees = well-defined, transparent learning outcome that provide clear pathways to further education or employment.
- Degree Qualifications Profile
- Quality audits
For more information:

*Four Steps to Finishing First, CollegeProductivity.org*

Kevin Dougherty’s and Davis Jenkins’ research, Community College Research Center at Teachers College, Columbia University.