Performance Funding for Higher Education:
Forms, Extent, Impacts, and Implications

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Topics

- Forms and Extent of Performance Funding Programs
- Intended Impacts of Performance Funding
- Obstacles
- Unintended Impacts
- Policy Implications
Forms

• **PF 1.0**, e.g., TN (1979- ), FL (1996-2008, 2013- )
  – Bonus over and above base state funding
  – Typically, small amount of funding: 1-5% of state appropriations

• **PF 2.0**, e.g., IN (2009), OH (2009), TN (2010)
  – Indicators embedded in base state funding
  – Proportion of state appropriations affected can be much higher: 85-90% of state appropriations in TN and, soon, OH
  – More emphasis on intermediate indicators e.g. reaching certain credit thresholds

Sources: Dougherty & Reddy (2013); Dougherty & Natow (in press)
Extent

- To date, half of all states (27) are operating PF programs now and four more plan to put one in operation within a year or two
- 36 states have operated PF at one or another point
- About half of those operating now take the form of PF 2.0

Source: Dougherty & Natow (in press)
Data

- Review of the literature on PF impacts (Dougherty & Reddy)

- Research study on implementation of performance funding in three states (Indiana, Ohio, Tennessee) (Dougherty, Jones, Lahr, Natow, Pheatt, & Reddy, 2014)
  - 3 universities and 3 community colleges in each
  - State officials and leading actors
  - Institutional officials and faculty: President and VP’s; deans; department chairs and faculty senate chair
Impacts Topics

• **Intended Impacts:** How Well Realized?
  – *Immediate* impacts of policy instruments e.g. concern about funding shifts; increased awareness of state priorities and own performance; capacity building
  – *Intermediate*: changes in college academic and student support policies and programs
  – *Ultimate*: student outcomes e.g. higher graduation numbers

• **Obstacles to PF Effectiveness**

• **Unintended Impacts**
Intended Impacts 1: Immediate Impacts

- **Concern about change in state revenues:** Definite impact. Even if no big change experienced in state funding, concern about possibility of big change.

- **Change in colleges’ awareness of state PF goals and methods:** Definite impact

- **Change in colleges’ awareness of own performance:** Definite impact, but smaller than of change in awareness of state PF goals and methods

- **Capacity building:** Little state effort or impact

Sources: Reddy et al. (2014); Dougherty & Reddy (2013)
Intended Impacts 2: Intermediate Impacts

• Difficulty disentangling impacts of PF and those of
  – Other state initiatives e.g. dev ed; transfer pathways; intrusive advising
  – External policy initiatives e.g. ATD, Complete College America
  – Accreditation efforts e.g. AQIP (North Central); QEP (SACS)

• Student services changes: Frequent reports of changes in:
  – Counseling and advising e.g. early warning systems, degree maps
  – Orientation and first-year programs
  – Tutoring and supplemental services

• Academic changes:
  – Developmental education, especially in community colleges
  – Course articulation and transfer
  – Reducing number of credits needed for BA

Sources: Natow et al. (2014); Dougherty & Reddy (2013)
Intended Impacts 3: Student Outcomes

- **Partial evidence:** Student outcomes have improved substantially in TN, Ohio, IN since introduction of PF 2 programs

- However, can’t definitively attribute to PF. Need multivariate analyses controlling for, e.g.
  - Enrollment changes
  - Impacts of other state initiatives and external policy initiatives
  - Changes in tuition and financial aid levels
  - Changes in economy affecting enrollment and retention
  - Composition of state higher education institutions
  - State socio-economic characteristics

- **Multivariate studies to date have found little impact (but focus on PF1.0)**

Source: Dougherty & Reddy (2013)
Obstacles

• **Student composition:** High numbers of students who are
  – Unprepared for college
  – Lower SES
  – Do not want college degrees (particularly in community colleges)

• **Inappropriate measures:** Insufficiently address institutional differences in
  – Mission
  – Student composition

• **Insufficient institutional capacity,** e.g., IR, IT

Sources: Pheatt et al. (2014); Dougherty & Reddy (2013)
Unintended Impacts

• Distinction between reports of potential unintended impacts and of observed unintended impacts (approx. 50/50 breakdown between two)

• Restriction of admission of less prepared students as way to boost graduation numbers. Means:
  – Higher admissions requirements
  – Selective recruitment
  – Shifting institutional need-based aid to “merit” aid

• Weakening of academic standards. Means:
  – Faculty demand less in classroom (grade inflation)
  – Changes in degree requirements

Sources: Lahr et al. (2014); Dougherty & Reddy (2013)
Policy Implications 1: Addressing Obstacles

• **Addressing student composition issues**
  – Extra funding for advancing at-risk students (as in TN, OH, and IN)
  – Funds for investment in new programs, particularly for at-risk students

• **Use appropriate indicators and measures:**
  – Tailor indicators to college missions and student composition
    • Indicators for developmental education, credit progression, transfer
  – Compare colleges to past performance or to relevant peer groups
  – Use graduation numbers rather than rates
  – (If graduation rate) Extend time frame for counting completion

• **Increase institutional capacity for organizational learning:**
  – Financial & technical assistance to develop IR and IT capacity and capacity for organizational learning
  – Phase in PF gradually

Sources: Dougherty & Reddy (2013); Shulock & Jenkins (2011)
Policy Implications 2: Reducing Unintended Outcomes

- **Combat weakening of academic standards:**
  - Examine changes in grade distributions and degree requirements
  - Survey faculty on whether feeling pressured to reduce academic demands
  - Assessment of general learning (but one designed with faculty input)

- **Combat restrictions on student admissions:**
  - Incentives for enrolling and graduating at-risk students (minority, low income, adult, immigrants)
  - Compare colleges to others with similar student composition or to their own past performance

Sources: Dougherty & Reddy (2013); Shulock & Jenkins (2011)
Sources

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