

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

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

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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