

The Impacts (Intended and Unintended) of Performance Funding for Higher Education in the United States

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Topics

- Forms and Extent of State Performance Funding in the United States
- Political Origins
- Research Questions and Research Data
- Policy Instruments
- Intended Impacts of Performance Funding
- Obstacles
- Unintended Impacts
- Research and Policy Implications

Forms and Extent

- **Over 30 states** are operating performance funding (PF) programs now
- **Base state appropriations for public higher ed on performance metrics**
 - graduation and transfer numbers
 - retention rates
 - credit progression rates e.g. number reaching 30 or 60 credits
 - completion of remedial education
 - job placement
- **Proportion of state appropriations:** as high as 85-90%; average is 5-10%
- **PF1.0 and 2.0**
 - **PF 1.0** e.g. Tennessee (1979-): bonus over and above base state funding; typically, small amount of funding: 1-5% of state appropriations
 - **PF 2.0** e.g. Ohio (2009), TN (2010): Indicators embedded in base state funding; proportion of state appropriations usually much higher: 25-90%

Political Origins

- **Supporters**

- State elected officials (esp. Republican legislators)
- Business (direct and indirect power)
- State HE boards and higher education institutions
- External policy actors e.g. foundations (Gates, Lumina), Complete College America

- **Motives**

- Desire to increase efficiency and effectiveness of government and higher educ. through market-oriented methods. Strong element of symbolic politics
- Find new means of securing more funds for higher education in time of fiscal stringency.

Research Questions

- **Policy instruments and their immediate impacts:** What policy instruments have states used in order to influence the behavior of institutions? What have been the immediate impacts of those instruments on institutions?
- **Intermediate intended institutional changes:** How have colleges altered their academic and student-services policies, programs, and practices in ways that relate to performance funding goals?
- **Ultimate intended impacts:** What have been the impacts of performance funding programs on student outcomes?
- **Obstacles:** Have there been obstacles to securing the impacts intended by PF advocates?
- **Unintended impacts:** Have there been impacts unintended by policymakers?

Data

- **Review of the literature on PF impacts** (Dougherty & Reddy, 2013; Dougherty et al., 2016)
- **Research study on implementation of performance funding in three states and 18 public institutions** (Dougherty et al., 2016)
 - 3 leading states – Indiana, Ohio, and Tennessee -- with PF 2.0 programs but different PF histories, political cultures and structures, and socio-economic characteristics
 - 3 universities and 3 community colleges in each state. Institutions differ in expected capacity to respond to performance funding
 - 39 state officials and leading actors
 - 222 institutional officials and faculty: President and VP's; deans; middle-level non-academic administrators; academic department chairs and faculty senate chair

Policy Instruments

•Types

- Financial incentives: resource dependence
- Information dissemination on state goals and intended methods: persuasion
- Information dissemination on institutional performance on state metrics: status striving
- Building capacity for organizational learning e.g. IR, IT, lesson sharing

•Prevalence

- High number of interviewees report operation and impact of first three instruments (incentives and information).
- Few interviewees report state capacity-building efforts
- Uneven awareness within institutions of state PF goals and of institutional performance on state metrics

Intended Impacts 1: Immediate Impacts

- **The first two policy instruments rated as having the highest impact.**
- **Financial incentive:** Half of respondents answering (124) rated impact on college efforts to improve student outcomes as high. 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:** Half of respondents (123) rated impact as high.
- **Change in colleges' awareness of own performance:** Half of respondents rated impact as high but number giving any rating smaller (101).
- **Capacity building:** Little or no state effort (95% of 173 respondents)

Intended Impacts 2: Institutional Changes

- **Difficulty disentangling impacts of PF from 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)
- **Modal rating was medium impact of PF on institutional changes**
- **Academic changes :**
 - Developmental education (10/18), especially in community colleges
 - Course articulation and transfer (8/18)
- **Student services changes:** Frequent reports of changes in:
 - Advising and counseling (18/18) e.g. early alert systems
 - Tutoring and supplemental instruction (13/18)

Intended Impacts 3: Student Outcomes

- **Multivariate studies to date have found little impact on graduation and retention.**
- **Still, some intriguing findings:** delayed impacts on number of BA & AA degrees; impacts on production of short-term certificates
- **Need multivariate analyses controlling for e.g.**
 - Enrollment changes
 - Impacts of other state policies and external policy initiatives e.g. developmental education initiatives
 - Changes in economy affecting enrollment and retention
 - Changes in admission to state higher education institutions

Sources: Dougherty et al. (2016); Hillman et al. (2015, 2016); Tandberg & Hillman (2014); Umbricht et al. (2015)

Obstacles to Effective Response

- **Student composition** (63 respondents): Reports – particularly from CC's -- of difficulty of producing substantially higher outcomes given high numbers of students who are e.g.
 - Unprepared for college (20)
 - Do not want college degrees (particularly in community colleges) (18)
 - Lower SES (12)
- **Inappropriate measures** (61 respondents): Insufficiently address institutional differences in
 - Mission, particularly of community colleges
 - Student composition e.g. nondegree seekers
- **Insufficient institutional capacity** (42 respondents), particularly institutional research (19)

Unintended Impacts

- **Distinction between impacts unintended by policymakers and unintended by institutional officials**
- **Distinction between reports of potential unintended impacts and of observed unintended impacts (50/50 breakdown between two)**
- **Restriction of admission of less prepared students (67 respondents):**
Way to boost graduation numbers. Means:
 - Higher admissions requirements
 - Selective recruitment from HS's
 - Shifting institutional need-based aid to "merit" aid
 - Corroboration by Umbricht et al. (2015)
- **Weakening of academic standards (55 respondents). Means:**
 - Faculty demand less in classroom (grade inflation)
 - Changes in degree requirements

Research Implications

- **Need for multivariate studies of impacts of big PF 2.0 programs, especially in Tennessee and Ohio. Need to take in to account:**
 - Program design:
 - *Age of program:* How long has program been in place
 - *Size:* What proportion of total institutional funding PF affects: Control for differences in state share of HE funding
 - *Metrics:* Which performance metrics drive funding allocations and what weights are they given
 - Competing causes:
 - *Enrollment changes*
 - *Other state programs* and policies affecting student outcomes
 - *Changes in economy*

Policy 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
- **Using appropriate indicators and measures:**
 - *Tailor indicators* to college missions and student composition e.g. transfer
 - *Appropriate comparisons*: Compare colleges to past performance or to relevant peer groups
 - *Use graduation numbers* rather than rates
 - (If use graduation rate) Extend time frame for counting completion
- **Increasing institutional capacity for organizational learning:**
 - *Financial & technical assistance and professional development* to develop IR and IT capacity and capacity for organizational learning
 - *Phase in PF gradually*

Policy 2: Combating Unintended Impacts

- **Address obstacles that provide temptation to game system**
- **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)
 - *Metrics*: Make reducing SES and racial gaps in student outcomes a PF indicator
 - *Comparisons*: Compare colleges to others with similar student composition or to their own past performance

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