

State Performance Funding for Higher Education -- Impacts, Stability, Demise: Policy Lessons

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Forms and Extent of Performance Accountability (PA)

- **Performance funding (PF):** 14 states (2007). State creates formula tying appropriations to college outcomes data.
- **Performance budgeting (PB):** 21 states (2003). State declares it will consider college outcomes data in appropriation decisions.
- **Performance reporting (PR):** 47 states (2007). State publicizes data on college outcomes e.g. rates of remediation passage, graduation, job placement.
- Sources: Dougherty and Reid (2007); Burke and Minassians (2003).

Topics

- Impacts of Performance Funding
- Changes in Performance Funding Systems over Time
- Program Demise

Impacts 1: Data

- **Analysis of performance accountability systems for community colleges (CC's) in 6 states** (Dougherty & Hong, 2006). Strength of PA systems assessed in 2000 in order to determine impact on outcomes in years following. Data sources:
 - state policy documents
 - interviews with local CC officials
 - Interviews with state-level officials
- **Other research studies** examining impacts of performance accountability (e.g. Burke et al., 2002; Jenkins, Ellwein, & Boswell, 2009))

Impacts 2: Data (cont.)

- **Strong system: Florida.** Both PR and strong PF system. PF covered community colleges (CC's) and – minimally – universities. At peak (2001), PF accounted for 5% of total state appropriations for CC's.
- **Middling strength systems: Illinois and Washington.** Both PR and weak PF system (less than 1% of total CC revenues; short duration). PF in IL only covered CC's; PF in WA covered both CC's and state universities.
- **Weak state systems: Texas and California.** PR but no PF.
- **No state system: New York.** Neither PR nor PF.

Impacts 3: Topics Covered

- Intended Impacts: How Well Realized?
 - Immediate
 - Mediated
 - Ultimate
- Obstacles to Realization of Intended Impacts
- Unintended Negative Outcomes

Impacts 4: Immediate Impacts

- Change in colleges' state funding
- Change in colleges' awareness of state priorities
- Change in colleges' awareness of own performance
- Change in colleges' concern about how well are performing relative to peer colleges.
- Sources: Dougherty & Hong (2006); Jenkins, Ellwein, & Boswell (2009)

Impacts 5: Mediated Impacts

- **Interviews in 6 states:**
 - Numerous reports by CC respondents of changes in local CC programs in response to state PA efforts (Dougherty & Hong, 2006; Jenkins, Ellwein, & Boswell, 2000).
 - Evidence that responsiveness varied with strength of state PA system (Dougherty & Hong, 2006)
- **Survey of local CC officials in 5 PF states** (Burke et al., 2000): Between moderate and extensive use (1 to 5 scale: very extensive, extensive, moderate, etc.) of performance data in following areas:
 - institutional planning (2.46)
 - curriculum planning (2.77)
 - student outcomes assessment (2.79)

Impacts 6: Ultimate Impacts

- **Changes in outcomes:** In 5 states with PA, increases between 1990s and early 2000s in almost all of following performance outcomes: remediation passage, retention, graduation, transfer, job placement.
- **Little evidence of PF impact:** Little evidence that states with seemingly stronger performance accountability systems (have PF system, especially strong one) produced stronger improvements in these performance outcomes.
- Source: Dougherty & Hong (2006)

Impacts 7: Explaining Weak Impacts

- Our research data do not control for differences between states
- PF funding systems are not all that strong:
Small amount of funding; short duration; instability of measures
- Obstacles to institutional success in meeting accountability demands.
- Source: Dougherty & Hong (2006)

Impacts 8: Obstacles to Success

- Indicators that do not match up well to college missions
 - Inappropriate measures of graduation and of job placement
 - Funding instability
 - Inequalities in institutional capacity to meet the standards.
- Source: Dougherty & Hong (2006); Jenkins, Ellwein, & Boswell (2009)

Impacts 9: Negative Outcomes

- Pressures to lower academic standards
 - Narrowing of open-door?
 - Mission restriction?
 - High compliance costs
 - Abandonment of PF systems in 10 of 26 states (return to this below)
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- Source: Dougherty & Hong (2006); Jenkins, Ellwein, & Boswell (2009)

Impacts 10: Increasing Intended Impacts

- Increase performance funding and keep measures and funding levels stable.
- Remove obstacles to college performance
 - Build capacity: Financial and technical assistance
 - Use appropriate measures:
 - Credit for intermediate outcomes
 - Correct for differences in local labor markets
 - Compare colleges to relevant peer groups
 - Do completion follow-up six years after entrance
- Spur reflection: Include indicators of data use

Impacts 11:

Reducing Negative Impacts

- Combat narrowing of open door: Include indicators for enrolling and graduating less advantaged students (minority, low income, women, older)
- Combat reduction of academic standards: Include assessment of general learning.
- Combat mission restriction: Tie performance measure to all important missions e.g. access for underserved, general education, continuing education.
- Pay for compliance costs.

Operational Changes 1

- Examination of experience of 2 states with long standing systems:
 - Tennessee: In operation since 1979
 - Florida: In operation since 1994

Operational Changes 2: Funding

- **Tennessee:** Stable increases: Funds received by all IHE's rose fairly steadily from average of 0.8 % of state appropriations for higher education between FY 978-79 and 1981-1982, to 3% between 1982-1983 and 2001-2002, and 4.2% since 2001-2002
- **Florida:** Oscillation: Began at 2% of state appropriations for community college operations in FY 1996-1997, dropped below 1% in 2001-02 to 2005-06, and then jumped to 1.8%

Operational Changes 3: Indicator Changes

- Tennessee: Less change: 10 indicators changes (6 added; 4 dropped) in 31 years
- Florida: More change: 12 changes (9 added; 3 dropped) in 12 years

Operational Changes 4: Sources of Change in Indicators

- Pressure from outside higher ed system
 - FL: Minority graduation rates; remediation success (legislators)
 - TN: Transfer rates (student complaints); minority student retention (court order)
- Internal initiative
 - FL: Licensure exam passage (SDE)
 - TN: Campus-specific indicators (THEC and colleges)

Operational Changes 5: General Process of Change

- Tennessee: Performance indicators added at end of a regular five-year review involving standing committees of state HE Commission and the colleges
- Florida: Indicators added irregularly, with no tie to a cyclical process of program reappraisal. Greater involvement by legislature.

Demise 1: Data

- Three states with different PF trajectories:
 - IL: PF discontinued and not revived
 - WA: PF discontinued but revived
 - FL: PF partly discontinued (one program eliminated; one retained)
- Interviews with state government officials, higher education leaders, interest group leaders

Demise 2: Causes

- Sharp drop in trajectory of higher education funding (FL, IL).
- Lack of support by higher education institutions for the continuation of PF (FL, IL, WA).
- Loss of key governmental supporters of PF (FL, IL, WA)
- Weak business support of PF (FL, IL).
- Establishing PF through a budget proviso rather than statute (IL, WA).

Demise 3: Factors Enhancing PF Retention

- Insulate PF from state revenue cycle.
- Increase support by colleges and universities
 - Avoid appropriation hold back. Provide PF funds that colleges see as “new” money.
 - Give colleges significant role in designing and revising PF system. Makes it more likely they will regard PF as legitimate and support it in time of fiscal or political stress.
- Attract new supporters: Build in strong equity aspect.
- Enact PF through statute rather than budget proviso.

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