

Performance-Based Funding

Presented by
Yardley S. Bailey, Ph.D.
April 12, 2018 / ALAIR Conference



Accountability Efforts

1. **Performance funding (PF)/ Performance-based funding (PBF)/ Outcomes-based funding**– links state funding directly and formulaically to the performance of individual public campuses on various indicators.
2. **Performance-budgeting** – less directive, permitting state officials to consider campus performance indicators in determining allocations.
3. **Performance reporting** – simply mandates that institutions and systems provide performance information to policy makers and the public, without formally linking that information to eventual allocations.



Source: American Association of University Professors (AAUP)

Performance Funding

1. 32+ states have implemented some form of Performance Funding (PF) at one or another time.
2. Tennessee was the first state to implement performance funding in 1979.
3. Six states are currently transitioning to some type of performance funding.



Sources: National Conference of State Legislatures (NCSL) and Community College Research Center (CCRC)

Performance Funding

It's In The News



Performance Funding

Florida

BOG approves university performance funding plan

The News Service of Florida 12:02 a.m. EDT June 22, 2014



(Photo: Mike Ewen/Democrat)

The Florida Board of Governors on Thursday approved a plan to divvy up \$200 million in performance funding among 11 of the state's 12 universities.

The outline gives eight of the universities \$100 million worth of new money that the Legislature passed as part of the state's \$77-billion budget for the fiscal year that begins July 1.

It also puts at risk almost \$11.9 million of current funding for the other three universities. The new Florida Polytechnic University, which will open in August, isn't part of the plan.

The budget approved by lawmakers in the spring called for \$100 million in new funding and \$100 million in existing funding to be sifted through a performance model established by the State University System, with schools that didn't score high enough potentially losing some of their money.

Under this year's results, Florida Atlantic University could lose nearly \$7 million, the University of West Florida would have \$3.8 million at stake and New College would have almost \$1.1 million at risk.

The three schools could regain their lost funding if they successfully put in place improvement plans, but they would remain ineligible for the new money.

Read or Share this story: <http://on.tdo.com/TODMxZ>

FAMU to miss out on new performance funds



Sean Rossman, Democrat staff writer 6:49 p.m. EDT March 19, 2015



Florida A&M University will miss out on millions of dollars from the state this year after scoring dead last on benchmarks used to tie funding to performance.

FAMU's score dropped three points, putting it at the bottom of the rankings of 11 State University System schools. It falls out of the top eight SUS schools, which get new performance funding.

Sources: News Service of Florida (6-22-2014) & Tallahassee Democrat (3-19-2015)



Performance Funding

3/23/2016

Stivers: Senate budget will base state money to universities on performance | Lexington Herald-Leader

FAYETTE COUNTY MARCH 21, 2016 9:09 PM

Stivers: Senate budget will base state money to universities on performance

HIGHLIGHTS

Change for higher education would begin for 2017-18

Budget committee and full Senate expected to take up issue Wednesday

Chamber also will seek a 'permanent fund' for state's pension problems



<http://www.kentucky.com/news/local/courts/fayette-county/article63441132.html>

Kentucky

3/25/2016

Senate would fund Kentucky universities based on competitive metrics | Lexington Herald-Leader

EDUCATION MARCH 22, 2016 12:49 PM

Senate would fund Kentucky universities based on competitive metrics

HIGHLIGHTS

Measurements include graduation rates, retention rates, smaller achievement gaps and degrees produced

New formula would start in 2018 with 25 percent of state appropriations

KCTCS schools would compete with one another for some funding



<http://www.kentucky.com/news/local/education/article67508632.html>

1/7



THE UNIVERSITY of
ALABAMA SYSTEM

Source: Lexington Herald-Leader, March 22 and 23, 2016

THE UNIVERSITY of ALABAMA

THE UNIVERSITY of ALABAMA at BIRMINGHAM

THE UNIVERSITY of ALABAMA in HUNTSVILLE

Performance Funding

Arkansas

TIMES RECORD

Bill to redo Arkansas' higher education funding goes to governor

Tuesday

Posted Feb 7, 2017 at 12:01 AM

Stories From Chatter Network



Source: Times Record – Fort Smith, AR 2-13-2017

Performance Funding

Funding Models

1. Base-plus
2. Base-plus/Incremental funding
3. One-time funding appropriation
4. Outcomes-centered funding
5. Output-based funding formula
6. Performance agreements or contracts
7. Set-aside performance funding



Source: Washington State Auditor's Office

Performance Funding

1. PF 1.0 -- is a bonus over and above regular state funding for higher education allocated on the basis of intermediate and long term indicators (TN 1979, FL 1996, OH 1995).
2. PF 2.0 -- is part and parcel of the regular state base funding allocation (IN 2009, OH 2009, PN 2002, TN 2010).
3. PF 3.0? - - shift from completions to earnings/employment post-graduation

Sources: CCRC, Education Advisory Board (EAB), & TIAA Institute



Performance Funding

Tennessee's program(s) have led the nation in PF.

The TN program was attractive because: (1) it featured twin goals of external accountability and institutional improvement, (2) it focused on a set of performance indicators that were varied in scope but limited in number, (3) it specified a phased implementation and periodic reviews afterward, (4) it stressed institutional improvement over time, (5) it provided limited but still significant supplementary funding for institutions, and (6) it maintained reasonable stability in its priorities and program requirements.



Source: American Association of University Professors (AAUP)

Performance Funding

Tennessee's program(s) have led the nation in PF.

In 2010 TN stopped its enrollment-based core funding approach in favor of an output-based approach thus providing an incentive for campuses to build staffing and services for improving graduation rates, including fast-track majors, increased advising, expanded tutoring and remediation efforts and expanded course offerings.

Source: AAUP



Performance Funding

So, generally

Previously, dollars were in addition to base enrollment allocations – Now going into or coming out of core funds.

The stakes are higher now. States put anywhere from 8% to 100% of their allocation in play versus the 1% to 2% in PBF 1.0

Source: EAB



Performance Funding

Florida Board of Governors
 Performance Funding Allocation, 2015-2016
 Pending Approval of the 2015-2016 Budget



	Points	Allocation of State Investment	Allocation of Institutional Investment ¹	Total Performance Funding Allocation
FAMU	26	\$0	\$13,997,427	\$13,997,427
FAU	37	\$11,366,318	\$18,943,864	\$30,310,182
FGCU	38	\$4,940,666	\$8,234,443	\$13,175,108
FIU	39	\$18,599,436	\$27,086,006	\$45,685,441
FSU	36	\$24,945,913	\$41,576,522	\$66,522,435
NCF	35	\$0	\$2,457,467	\$2,457,467
UCF	39	\$23,096,767	\$34,581,558	\$57,678,325
UF	44	\$30,598,527	\$46,582,818	\$77,181,345
UNF	36	\$6,947,962	\$11,579,937	\$18,527,900
USF	42	\$23,627,973	\$35,165,896	\$58,793,869
UWF	37	\$5,876,438	\$9,794,063	\$15,670,501
Total		\$150,000,000	\$250,000,000	\$400,000,000



Source: WFSU.org

Performance Funding

1. Performance accountability programs are extremely difficult to design and maintain both fiscally and politically.
2. The least stable programs have been those in which legislators, governors, business people, and community leaders have been most influential. *The most stable ones exhibit the greatest involvement of state higher education officials.*

Source: AAUP



Performance Funding

http://www.decaturdaily.com/news/local/performance-based-funding-for--year-colleges-to-start-next/article_9319d785-d993-58eb-8d5b-64eb79754136.html

FEATURED

Performance-based funding for 2-year colleges to start next year

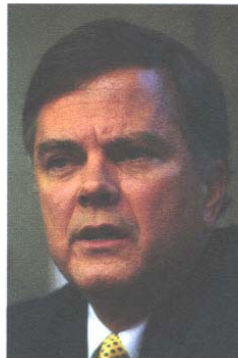
By Mary Sell Montgomery Bureau Nov 26, 2017 Updated Nov 26, 2017



McAnally

Contributed

[Buy Now](#)



Orr

[Buy Now](#)



Source: DecaturDaily.com 11-28-2017

Performance Funding



“Learning from our mistakes in higher ed”



Source: OpEd of Mitch Daniels, Washington Post, 2-6-2018

Performance Funding

Impacts

1. Performance funding has had immediate impacts on colleges in the form of changes in institutional finances, institutional knowledge of state priorities for higher education and institutions' awareness of their own performance on state metrics. But,
2. There is little evidence that performance funding brings increased state resources to improve institutions' capacity to respond to performance funding demands. And,
3. A growing body of evidence suggests that these policies have done little to improve educational outcomes.



Source: CCRC

Performance Funding

Obstacles/Impacts

1. Obstacles include use of inappropriate performance measures; lack of sufficient funding for new institutional efforts to improve student outcomes; brief duration of many performance funding programs; and institutional resistance to and gaming of the performance funding system.
2. Unintended impacts include grade inflation and a lowering of academic standards; restrictions on admission of less prepared and less advantaged students; unexpected costs of compliance; a narrowing of institutional missions; and a diminished faculty voice in academic governance.



Source: CCRC

Performance Funding

Obstacles/Impact Solutions

1. Insulate performance funding from the state revenue cycle
2. Include faculty and staff into the process of designing performance funding programs
3. Help colleges improve their capacity for organizational learning by increasing funds to acquire new data management systems and hire additional staff to analyze performance data



Source: CCRC

Performance Funding

Obstacles/Impact Solutions

4. Set consistent criteria but allow institutions to calibrate the emphasis
5. Differential weighting for priority programs or students
6. Consider intermediate achievements
7. Manage PBF transition risk
8. Timely allocation of funds
9. Weighting for institutional mission



Source: EAB

Performance Funding

Alabama & Performance-Based Funding

1. In April 2016 there was discussion but no official action during the Regular Session
2. Some discussion during Education Trust Fund hearings prior to the session
3. Hearings were held after the session in 2016



Performance Funding

Alabama & Performance-Based Funding

4. In April 2017 there was a Senate bill creating The Alabama Community College Advisory Council on Outcome-Based Funding
5. Resolution passed and the Advisory Council was created
6. As of 3-22-2018 no new movement on PBF in AL legislature
7. ACCS scheduled to begin Outcome-Based funding in FY19.



Performance Funding

State Pool of \$30,000,000									
SAMPLE Formula #1	Total Enrollment (35%)	# of Degrees Completed (15%)	Number of Stem Degrees Completed (10%)	# of non-majority students enrolled (10%)	Retention Rate Freshman to Sophomore (25%)	% of Female Faculty (5%)	Calculated Factor	Calculated %	\$30,000,000
Big State U	30,000	4,875	2,438	5,000	7,490	50%	14788.3	34.15%	\$10,245,000
Big State Us2	25,000	4,375	2,917	4,000	5,625	50%	12207.325	28.19%	\$8,457,000
Regional College	15,000	1,875	313	7,500	2,250	60%	7212.55	16.66%	\$4,998,000
STEM U	10,000	1,000	909	2,000	1,125	40%	4334.65	10.01%	3,003,000
Liberal Arts U	10,000	1,250	200	5,000	1,375	60%	4757.5	10.99%	3,297,000
							43300.325	100.00%	\$30,000,000



Performance Funding

State Pool of \$30,000,000									
SAMPLE Formula #1	Total Enrollment (35%)	# of Degrees Completed (15%)	Number of Stem Degrees Completed (10%)	# of non-majority students enrolled (10%)	Retention Rate Freshman to Sophomore (25%)	% of Female Faculty (5%)	Calculated Factor	Calculated %	\$30,000,000
Big State U	30,000	4,875	2,438	5,000	7,490	50%	14788.3	34.15%	\$10,245,000
Big State Us2	25,000	4,375	2,917	4,000	5,625	50%	12207.325	28.19%	\$8,457,000
Regional College	15,000	1,875	313	7,500	2,250	60%	7212.55	16.66%	\$4,998,000
STEM U	10,000	1,000	909	2,000	1,125	40%	4334.65	10.01%	3,003,000
Liberal Arts U	10,000	1,250	200	5,000	1,375	60%	4757.5	10.99%	3,297,000



Performance Funding

State Pool of \$30,000,000							
SAMPLE Formula #2	# of Degrees Completed (25%)	Number of Stem Degrees Completed (20%)	# of non-majority students enrolled (15%)	Retention Rate Freshman to Sophomore (40%)	Calculated Factor	Calculated %	\$30,000,000
Big State U	4,875	2,438	5,000	7,490	5461.35	35.80%	\$10,740,000
Big State Us2	4,375	2,917	4,000	5,625	4527.15	29.68%	\$8,904,000
Regional College	1,875	313	7,500	2,250	2556.35	16.76%	\$5,028,000
STEM U	1,000	909	2,000	1,125	1181.8	7.75%	2,325,000
Liberal Arts U	1,250	200	5,000	1,375	1527.5	10.01%	3,003,000
					15254.15	100.00%	\$30,000,000



Performance Funding

State Pool of \$30,000,000									
SAMPLE Formula #1	Total Enrollment (35%)	# of Degrees Completed (15%)	Number of Stem Degrees Completed (10%)	# of non-majority students enrolled (10%)	Retention Rate Freshman to Sophomore (25%)	% of Female Faculty (5%)	Calculated Factor	Calculated %	\$30,000,000
Big State U	30,000	4,875	2,438	5,000	7,490	50%	14788.3	34.15%	\$10,245,000
Big State Us2	25,000	4,375	2,917	4,000	5,625	50%	12207.325	28.19%	\$8,457,000
Regional College	15,000	1,875	313	7,500	2,250	60%	7212.55	16.66%	\$4,998,000
STEM U	10,000	1,000	909	2,000	1,125	40%	4334.65	10.01%	3,003,000
Liberal Arts U	10,000	1,250	200	5,000	1,375	60%	4757.5	10.99%	3,297,000
							43300.325	100.00%	\$30,000,000

State Pool of \$30,000,000								
SAMPLE Formula #2	# of Degrees Completed (25%)	Number of Stem Degrees Completed (20%)	# of non-majority students enrolled (15%)	Retention Rate Freshman to Sophomore (40%)	Calculated Factor	Calculated %	\$30,000,000	% Change from Formula #1
Big State U	4,875	2,438	5,000	7,490	5461.35	35.80%	\$10,740,000	4.8%
Big State Us2	4,375	2,917	4,000	5,625	4527.15	29.68%	\$8,904,000	5.3%
Regional College	1,875	313	7,500	2,250	2556.35	16.76%	\$5,028,000	0.6%
STEM U	1,000	909	2,000	1,125	1181.8	7.75%	2,325,000	-22.6%
Liberal Arts U	1,250	200	5,000	1,375	1527.5	10.01%	3,003,000	-8.9%
					15254.15	100.00%	\$30,000,000	



Performance Funding

Web Resources

1. National Conference of State Legislatures (<http://www.ncsl.org/research/education/performance-funding.aspx>).
2. Community College Research Center (CCRC) <http://ccrc.tc.columbia.edu/> (search for performance-based funding).



Performance Funding

Web Resources

3. Washington State Auditor's Office
Performance Audit: Higher Education
Performance-Based Funding
(https://www.sao.wa.gov/state/Documents/HE_Performance_Funding_16_state_summaries.pdf) includes summaries of PF systems in 16 states.



Performance Funding

Web Resources

4. AAUP's The Resurgent Interest in Performance-Based Funding for Higher Education (<https://www.aaup.org/article/resurgent-interest-performance-based-funding-higher-education#.WrKxBejwaUk>) attempts to answer the questions “Who wants performance-based funding and why.”



Performance Funding

Web Resources

5. Complete College America: The Game Changers (<http://completecollege.org/>) previously tied Performance Funding to *More College Graduates*.
6. Southern Regional Education Board (SREB) states Outcomes-Based Funding is one strategy to increase completion (https://www.sreb.org/sites/main/files/file-attachments/outcomes_based_funding.pdf).



Performance Funding

Web Resources

7. Assessing the Underpinnings of Performance Funding 2.0: Will This Dog Hunt?

(https://www.tiaainstitute.org/sites/default/files/presentations/2017-02/ti_assessing_the_underpinnings_of_performance_funding_2.pdf)

8. UAB Responsibility Center Management: Revenue and Expense Allocation

Methodologies (http://www.uab.edu/rcm/allocation-methodologies?utm_source=rcm&utm_medium=email&utm_content=022718#example)

