



President and Provost Roundtable Discussion

Topic: Outcomes-Based Funding – Association with College Completion

Questions: Will outcomes-based funding be implemented? How or does it impact student completion initiatives? Is perception any different than reality of current approaches?

Performance Funding: From Idea to Action (Jones, 2012)

- Recognize that all funding models are performance based; this is not a new idea.
- Get agreement on goals before putting performance funding in place. The public agenda should state a limited set of goals that:
 - Are tailored to the needs of the state, not borrowed from elsewhere
 - Focus on the needs of the state and its citizens, not the institutions of higher education
- Construct performance metrics more broadly – other important objectives besides attainment of degrees include:
 - Innovations that expand and broaden the state’s economy
 - Production of graduate and professional degrees in selected fields such as STEM or health care
 - Development of a workforce for high-need occupations
- Institutions should “win” by contributing to state goals, not doing well at their own. Failure to do so can easily lead to:
 - Encouragement of unwanted behavior by institutions — mission creep by some institutions, and research institutions enrolling more students than deemed desirable by policymakers and increasing competition for students even more in the process
 - Legislative opposition from supporters of institutions that can’t benefit from staying within their mission and doing that mission well
- Design the funding model to promote mission differentiation, not mission creep. This can be accomplished in at least two distinct ways:
 - Use different metrics/drivers for different kinds of institutions.
 - The research universities for producing doctoral and professional degrees and successfully competing for more research funding
 - The comprehensive institutions for producing master’s and baccalaureate degrees
 - The community college for producing associate degrees and certificates, transferring students and reaching specified “momentum points” (remedial success, dual enrollment, and job placement, for example)
 - Create different pools of resources for different kinds of institutions — and make sure that each institution can compete for resources in only one pool.
- Include provisions that reward success with underserved populations.
- Include provisions that reward progress as well as ultimate success (degree completion).
- Limit the categories of outcomes to be rewarded.
- Use metrics that are unambiguous and difficult to game. Regardless of the goal being pursued, it is always useful to test the metrics that will serve as drivers of the calculation by asking two questions:
 - If an institution sought to maximize its benefit on each metric what would it do? What is the easiest way to “win”?
 - Is the behavior elicited the intended behavior?
- Reward continuous improvement, not attainment of a fixed goal.
- Make the performance funding pool large enough to command attention.
- Ensure that the incentives in all parts of the funding model align with state goals.
 - In enrollment-driven base models, base the calculations on completed credits, not enrolled credits. This is based on the fact that programs won’t be completed if courses that constitute those programs aren’t completed.
 - In base-plus arrangements, freeze the base at current levels, and devote all new funds to the performance pool.
 - Make the performance pool an increasingly large part of the state allocation. In states where tuition makes up half of institutional revenues, allocation of half the state appropriation to performance equates to 25 percent of institutional revenues — a level still overshadowed by enrollment-driven considerations.
- Implementation Principles:
 - Don’t wait for new money.
 - Include a phase-in provision.
 - Employ stop-loss, not hold-harmless, provisions.
 - Continue performance funding in both good times and bad.

Texas Higher Education Coordinating Board Priorities, 83rd Legislature (Battles & Chavez, 2012)

- Implement outcomes-based funding
- Reduce time-to-degree
 - Lower credit hour threshold for determining excess credits from 30 SCH to 15 SCH
 - Cap Associates Degree to 60 credit hours
 - Average time to degree (BA Degree: 5.3 years, Associates: 4.7 years)
- Restructure student financial aid (TEXAS Grant, B-On-Time)

THECB Proposed Outcomes-Based Funding (OBF) (THECB, 2012)

- Funding
 - This proposal would institute an outcomes-based allocation methodology to be funded outside of the instruction and operations formula with 10 percent of the funding that would have been allocated to undergraduate weighted semester credit hours.
- Methodology
 - The model would allocate funds based on a three-year rolling average of institutions' performance on the below metrics.
 - All metrics would be weighted the same, except for the critical field metric which would receive a double weight.
 - All metrics are based only on undergraduates – graduate and professional students are excluded from the calculation.
- Specific metrics to be used in the formula allocation are:
 - **Total Undergraduate Degrees:** Total number of Bachelor's Degrees awarded by an institution in a given year
 - **Time-to-Degree Factor:** Total Bachelor's Degrees multiplied by the school's six-year graduation rate, to incent timely completion
 - **Institutional Mission Factor:** Degrees divided by Full Time Student Equivalents (FTSEs) and multiplied by 100; This aggregate measure adjusts for part-time and transfer students, providing a common framework for comparing degree productivity among institutions with different missions and student bodies.
 - **Cost-to-Degree Factor:** Degrees weighted using cost-based weights, to compensate for the varying costs associated with differing degree types
 - **Critical Fields Factor:** Degrees awarded in fields identified as critical workforce needs such as Computer Science, Engineering, Math, Physics, Nursing, Allied Health and Teaching Certificates for Math and Science
 - **At-Risk Factor:** Degrees awarded to students who meet federal criteria for being at high risk for non-completion; Indicators are being a federal Pell Grant recipient, part-time student, GED recipient, or entering higher education at age 20 or older
 - **Persistence Factor:** Points awarded for students who complete their 30th, 60th, or 90th hour at the institution, to incentivize the use of effective persistence policies

*Parameters for measuring performance have not been defined.

Components of OBF in Tennessee (Deaton, 2010)

- Outcome
 - Student Progression: 24 Credit Hours
 - Student Progression: 48 Credit Hours
 - Student Progression: 72 Credit Hours
 - Bachelor's Degrees
 - Masters Degrees
 - Doctoral/Law Degrees
 - Research/Grant Funding
 - Student Transfers
 - Degrees per 100 FTE
 - Graduation Rate

Essential Steps for States (Complete College America)

- In just 10 years, six of 10 new jobs will require a college education, but currently, only half of all students who enter college graduate.
- Complete College America has set a goal that by 2020, six out of 10 young adults in our country will have a college degree or credential of value.
- Essential steps every state should take to meaningfully improve college completion and secure our states' and our nation's economic futures:
 - Set a state completion goal.
 - Set campus-level completion goals.
 - Uniformly measure progress and success.
 - Shift to performance funding.
 - Reduce time-to-degree and accelerate success.
 - Transform remediation.
 - Count certificates.
 - Restructure delivery for today's students.

References

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