State Performance Funding for Higher Education: Origins, Impacts, and Demise: Policy Implications

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Topics

- Origins of Performance Funding Systems
- Impacts of Performance Funding
- Program Demise
- Policy Implications
Origins 1

• Data (Dougherty et al., 2010):
  – 6 states that enacted PF (FL, IL, MO, SC, TN, WA)
  – two that did not (CA, NV)

• Supporters
  – State officials (state boards, legislators, governors)
  – Higher education institutions (esp. CCs)
  – Business
Origins 2

• Supporters’ motives:
  – (state elected officials and business) Increasing efficiency of government and higher ed. Market-oriented methods make government agencies more efficient.
  – (HE bds; college officials) Importance of finding new means of securing more funds for higher education time of fiscal stringency.

• Missing element: Little discussion of how PF might affect access to and success in higher education for underserved populations
Origins 3: Opposition

• **Opponents:**
  – State universities (several states)
  – Community colleges (CA)

• **Motives**
  – PF provides state officials with excuse to cut back on regular state funding of higher ed.
  – PF intrudes on autonomy of higher education institutions.
  – PF programs fail to tailor performance indicators to differing institutional missions and student bodies.
Origins 4: Facilitating conditions

- Policy learning over time
- Policy diffusion: Example of other states: Positive (TN); negative (SC)
- Policy windows or external shocks:
  - Change in party control of governorship or legislature: Advent of GOP control.
  - Growing anti-tax mood.
Impacts 1: Topics

- Intended Impacts: How Well Realized?
  - Ultimate e.g. higher graduation rates
  - Mediated: institutional changes producing higher performance
  - Immediate: policy levers e.g. shifts in funding; increased awareness of state priorities and own performance; status competition

- Obstacles to PF Effectiveness

- Negative Side Effects
Impacts 2: Immediate Impacts

• Change in colleges’ state funding: Typically small because of small size of programs (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)

• Change in colleges’ awareness of state priorities (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)

• Change in colleges’ awareness of own performance (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)

• Change in colleges’ concern about how well they are performing relative to peer colleges (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)
Impacts 3: Mediated Impacts

• Changes in college programs in response to state PF system (Dougherty & Hong, 2006; Dougherty & Reddy, 2011; Jenkins, Ellwein, & Boswell, 2009).

• Reports by local CC officials of moderate to extensive use (1 to 5 scale: very extensive, extensive, moderate, etc.) of performance data in following areas (Burke et al., 2000):
  – institutional planning (2.46)
  – curriculum planning (2.77)
  – student outcomes assessment (2.79)
Impacts 4: Ultimate Impacts

• Some very interesting data indicating significant PF impacts on outcomes:
  – In WA, advent of SAI followed by significant gains in various outcomes (Washington SBCTC, 2010)

• Otherwise, data on ultimate impacts are sparse (Dougherty & Hong, 2006; Dougherty & Reddy, 2011), especially data that
  – Track PF impacts over time
  – Control for competing causes of changes in institutional outcomes besides PF system
Impacts 5: Obstacles to PF Effectiveness

- Small amount of funding and funding increases that lag improvements (Burke, 2002; Dougherty & Hong, 2006)
- Short duration of many PF systems (more below) (Dougherty & Natow, 2009)
- Instability of funding, indicators, and measures (Burke, 2002; Burke et al., 2000; Dougherty & Hong, 2006)
- Inappropriate measures of graduation and job placement so that colleges don’t seem to be performing well when they really are (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)
Impacts 6: Obstacles to Success (cont.)

- Inequalities in institutional capacity to meet standards: technical capacity; student body composition (Burke, 2002; Dougherty & Hong, 2006; Dougherty & Reddy, 2011; Jenkins et al., 2009)
- Uneven knowledge of PF at different levels of colleges so difficulty mobilizing whole college (Burke, 2002; Dougherty & Reddy, 2011; Jenkins et al., 2009)
- Institutional resistance to PF e.g. gaming the system; low ball goal setting; focusing on easy changes (Dougherty & Reddy, 2011; Jenkins et al., 2009)
Impacts 7: Negative Side Effects

• Narrowing of open-door e.g. restricting access to certain programs (Dougherty & Hong, 2006; Dougherty & Reddy, 2011)

• Mission distortion e.g. deemphasizing programs with little or no PF reward (Dougherty & Reddy, 2011; Jenkins et al., 2009)

• Temptation to lower academic standards (Dougherty & Hong, 2006; Jenkins et al., 2009)

• High compliance costs (Burke, 2002; Dougherty & Hong, 2006; Dougherty & Reddy, 2011)
Demise 1: Data

• Four states with different demise histories:
  – IL, MO: PF discontinued and not revived
  – WA: PF discontinued but later revived
  – FL: PF partly discontinued (one program eliminated; one retained)

• Comparison to state with long-lasting system: TN
Demise 2: Causes

- Sharp drop in state funding (gross or per FTE). Leads higher education to call for eliminating PF in order to protect base funding (FL, IL, MO).

- Higher education institution unhappiness with
  - Hold back system for PF (FL, WA)
  - Perception that PF used inappropriate indicators (MO, WA)
  - Perception of insufficient consultation with higher educ (FL, WA)
  - Perception of erosion of campus autonomy (MO, WA)

- Loss of key governmental supporters (FL, IL, MO, WA)

- Weakening of business interest in PF (FL, WA).
Policy Implications 1: Securing PF in States Without It

• Secure support (or avoid opposition) of higher education institutions (esp. state universities): Address fear that PF
  – Provides an excuse for elected officials to keep down regular state funding for higher education
  – Undercuts the autonomy of higher education institutions
  – Insufficiently recognizes differences in institutional missions and student composition
• Secure greater support from business
• Reach out to equity-oriented groups in order to broaden political support for PF and make it more likely to serve social equality as well as government efficiency and service to economy
Policy Implications 2: Enhancing PF Retention

- Insulate PF from state revenue cycle:
  - Protect higher education funding (if possible)
  - Not have PF be add-on to base funding. Build PF into regular appropriations e.g. course completions?

- Retain support of (or not anger) key actors:
  - HE institutions: Avoid hold back; consult with colleges on design and revision of PF system
  - Business

- Ensure that original champions find successors.
- Find new supporters e.g. equity oriented groups
Policy Implications 3: Increasing Intended Impacts

• **Funding:**
  – Increase PF funding as % of state funding
  – Increase funding as performance improves
  – Keep funding and indicators stable.

• **Use appropriate indicators and measures:**
  – Tailor indicators to college missions, students, place
  – Compare colleges to own past performance (incremental gains) or to relevant peer groups

• **Build capacity:** Financial & technical assistance

• **Spur reflection:** Include indicators of data use
Policy Implications 4: Reducing Negative Impacts

- Combat narrowing of open door: Include indicators and funding bonuses for enrolling and graduating less advantaged students (minority, low income, women, older, immigrants)
- Combat mission restriction: Tie performance indicators to all important missions e.g. access for underserved, adult and continuing education, remedial education, general education
- Combat reduction of academic standards: Include assessment of general learning.
- Pay for compliance costs.
Sources 1


Sources 2

Sources 3


For more information:

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