Background Information for Outcomes-Based Funding Task Force

Hartford, Connecticut
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State Role in Higher Education Policy - Past

Goal-Setting Systems

Assessment Systems

State

Resource Allocation

System
State Role in the Higher Education Policy - Current

- State
- Planning
- Systems
- Accountability
- Implementation
- Systems
Goal 1: Education Attainment: Increase education levels of the adult population of the state to meet workforce needs, provide citizens with the tools needed to participate in an increasingly complex society, and reduce socioeconomic disparities.

Goal 2: Competitive workforce, regions and communities: Increase higher education’s contributions to a globally competitive economy and workforce and sustain regions and communities.

Goal 3: Affordability: Ensure that higher education is affordable for Connecticut residents.
Paying for Goal Attainment –
Integrating the Various Elements of Finance Policy
The Flow of Funds

Economy

Available State and Local Govt. Funds

Higher Education

Donors
- Foundations
- Corporations

Students

Tuition

Institutions

Donors
- Foundations
- Corporations

Federal Government

Student Aid

Appropriations/Grants

Scholarships & Waivers

Student Aid (Restricted)

Research, etc. (Restricted)

Tax Policy

Income

K-12

Corrections

Health Care

Other Govt.
The Elements of Finance Policy

Philanthropy & Other Sources

States

Student Aid

Operating Support -- Outcomes-Based Funding as One Component

Students

Tuition & Fees

Scholarships & Waivers

Federal Government

Institutions -Sectors

Pell & Tax Credits

Outcomes

Student Aid

Student Aid
The Elements of a Financing Strategy

• Appropriations to institutions
  – Operating
  – Capital
• Tuition
• Student financial aid
• Improvements to institutional productivity
Components of State Funding of Institutions

- Federal Government
- States
- Outcomes

Mission Funding – maintaining existing capacity
Capacity-Building
- Capital
- Programs
- Delivery Modes
- Infrastructure

Outcomes
Operations
Capital – Deferred Maintenance
What’s Different

• Two components that explicitly reflect state priorities
  – Capacity building – a new approach to the capital budget
  – Capacity utilization – performance/outcomes funding
Shifting the Focus in the Capital Budget

• From
  – Institutional/System priorities
  – A mentality of “taking turns”
  – Limited to bricks & mortar

• To
  – Capacity building that is driven by state goals
  – A broader range of uses
    • Program creation/expansion
    • New delivery models
    • As well as bricks & mortar – both new and modifications for fitness of purpose
Outcomes-Based Funding is Not a New Phenomenon

- Enrollment-based funding is a form of outcomes-based funding – it rewards increased access

- What is new is the shift
  - From a focus on access
  - To a focus on student success and other outcomes as well as access

- The increasing importance of tuition and fee revenues to institutions
  - Provides a strong incentive to increase access
  - Means that tuition policy must be an integral part of state higher education finance policy
Outcomes-Based Funding: The Wave of Implementation

Implementing
Implementing in one Sector
Under Development
Active Interest
Why the Renewed Interest in Outcomes-Based Funding

• An increase in the number of states defining statewide goals for higher education
• Outcomes-based funding is the most direct way of linking state funding to these goals
• An alternative to micromanagement – a way to negotiate autonomy with accountability
From those states that have carefully constructed outcomes-based funding models, we have learned some lessons about

- Good design
- Sound approaches to implementation
Design Principles

1. Get agreement on goals before putting outcomes-based funding in place
2. Design the funding model to promote mission differentiation – use it to sharpen distinctions, not blur them
3. Construct outcomes metrics so that all institutions have an opportunity (not a guarantee) to benefit by excelling at their different missions
4. Include provisions that reward success in serving underserved populations
5. Remember the other parts of the funding model - don’t create conflicting incentives
   - Student Aid
   - Mission Funding

6. Limit the numbers of outcomes to be rewarded
   - No more than 4 or 5
   - Too many and both institutional focus and the communication value are lost

7. Use metrics that are unambiguous and difficult to game
Typical Outcomes Include

• Degrees/certificates
  – Premiums for at-risk populations
  – Premiums for priority fields
• Transfers
• Momentum points
  – Credits completed
  – Completion of first college credit courses in English and math
• Economic development
• Productivity
  – Degrees/$100,000 of tuition and appropriations revenue
  – Degrees/100 FTE
Implementation Principles

1. Make the outcomes funding pool large enough to command attention
2. Be inclusive in the development process
3. Avoid rewarding institutions only if a fixed goal is reached
4. Include a phase-in provision – especially if funded through reallocation
5. Employ stop-loss, not hold-harmless provisions
6. Continue outcomes funding in both good times and bad
7. Put in place a rigorous (outcomes-based) approach to assessing quality and monitor results on an ongoing basis
Typical Sticking Point

• New money or reallocation of existing funds
• Metrics used
  – What degrees should be counted?
    • All or UG only?
    • Should they carry different weights?
    • In-state students only?
  – Outcomes only, or momentum points as well
    • Credits completed
    • Completion of first college-level mathematics and English courses
  – Metrics for economic/community development
• How to handle transfers
• How to handle certificates – which ones count
• The quality issue
• Implementation
  – Phase-in
  – Stop-loss
• A single model or different models (and pools) for different types of institutions?
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