

Background Information for Outcomes-Based Funding Task Force



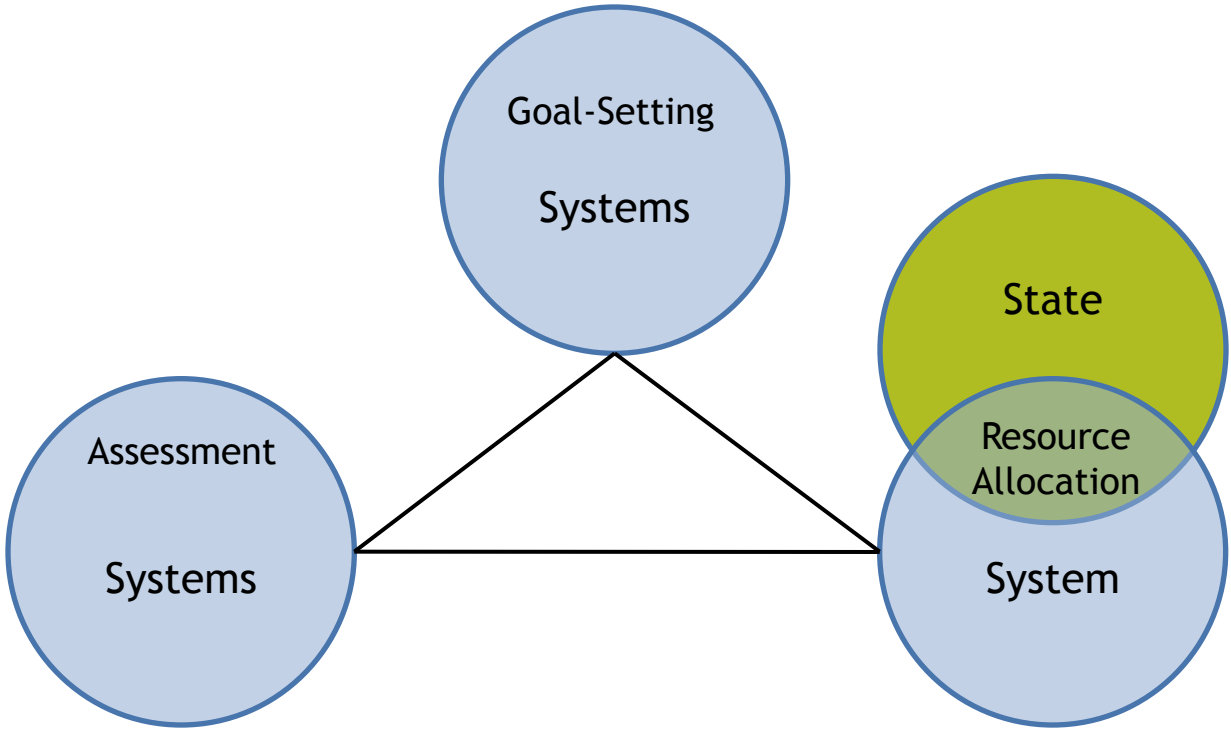
Hartford, Connecticut
September 18, 2015



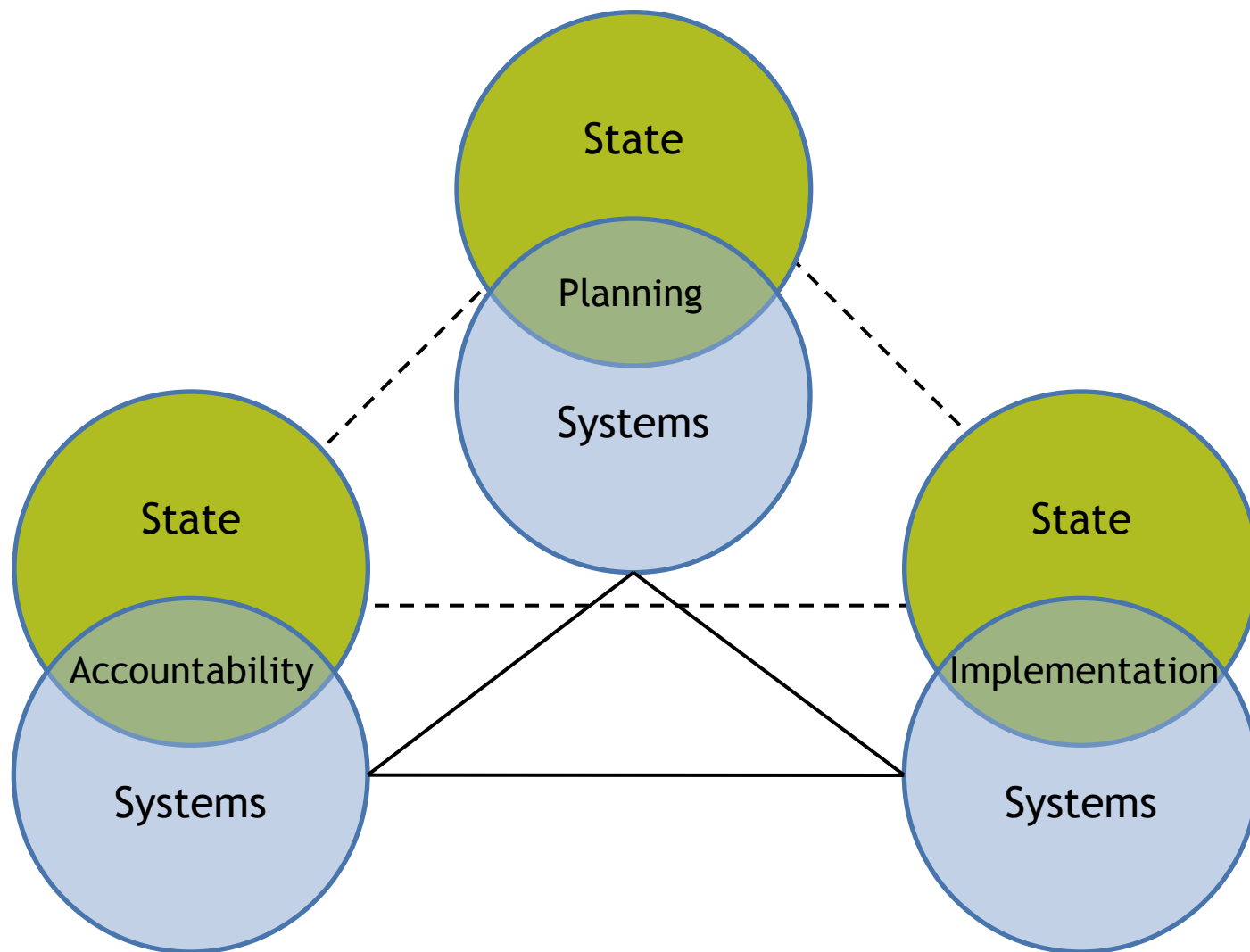
NCHEMS

National Center for Higher Education Management Systems
3035 Center Green Drive, Suite 150
Boulder, Colorado 80301

State Role in Higher Education Policy - Past



State Role in the Higher Education Policy - Current



Connecticut Goals

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.

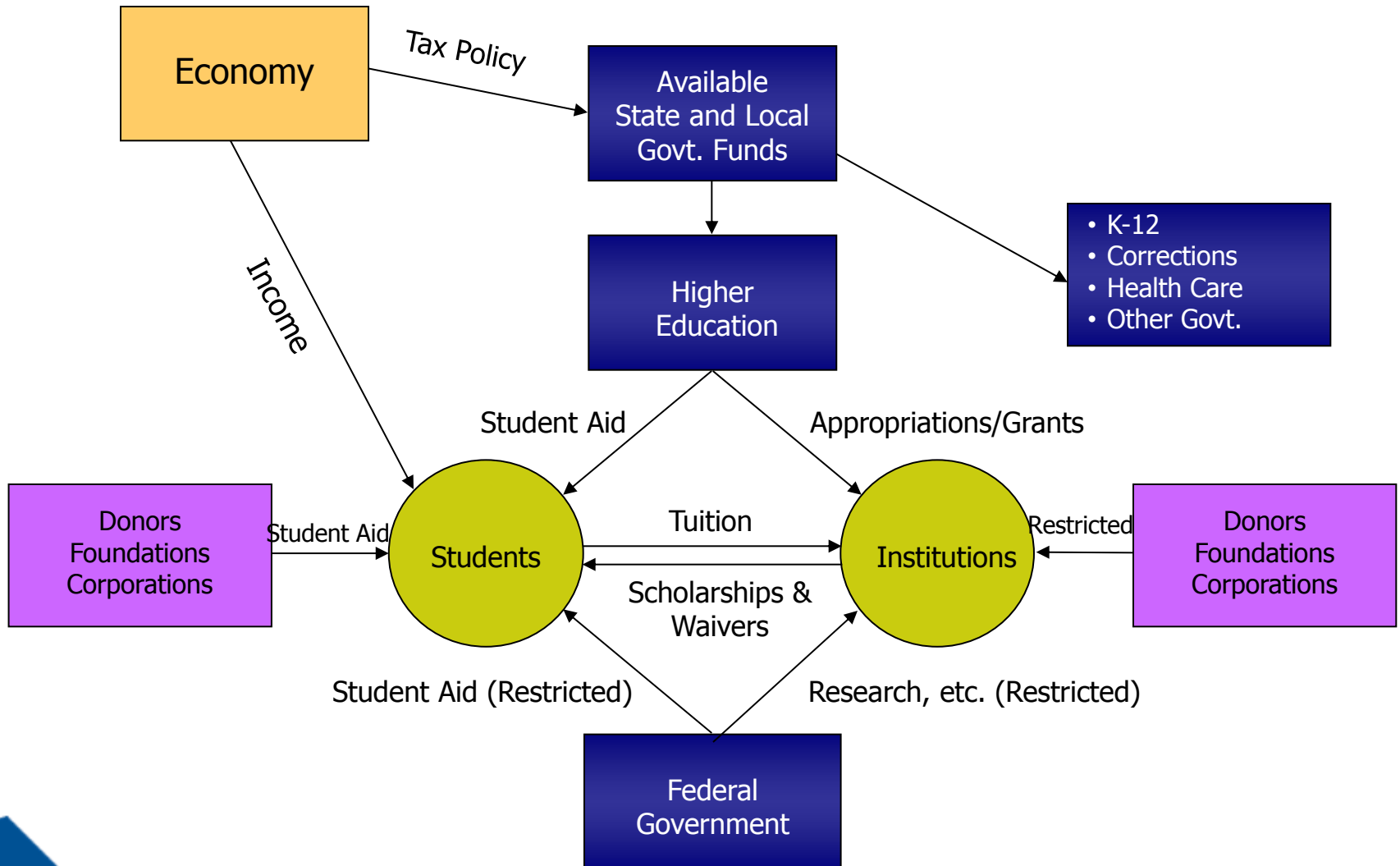
Goal 2: Competitive workforce, regions and communities: Increase higher education's contributions to a globally competitive economy and workforce and sustain regions and communities.

Goal 3: Affordability: Ensure that higher education is affordable for Connecticut residents.

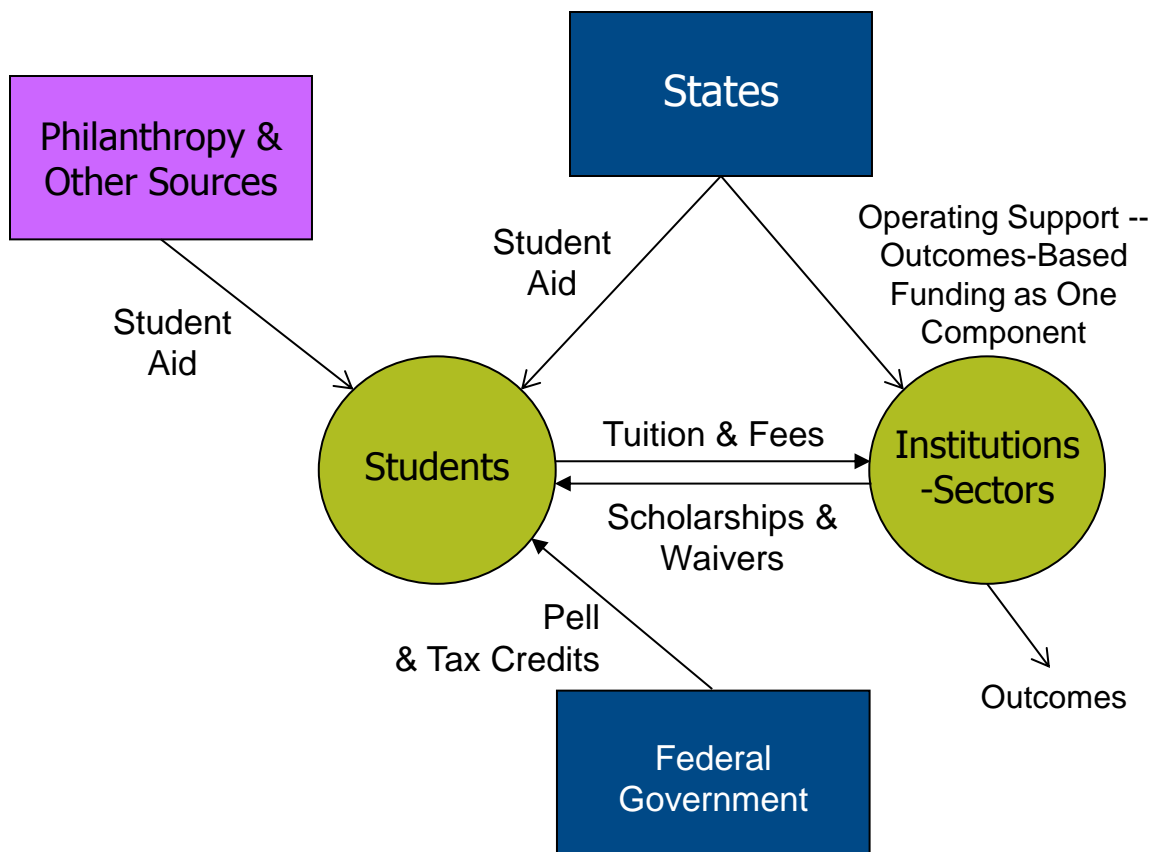


Paying for Goal Attainment –
Integrating the Various Elements of Finance Policy

The Flow of Funds



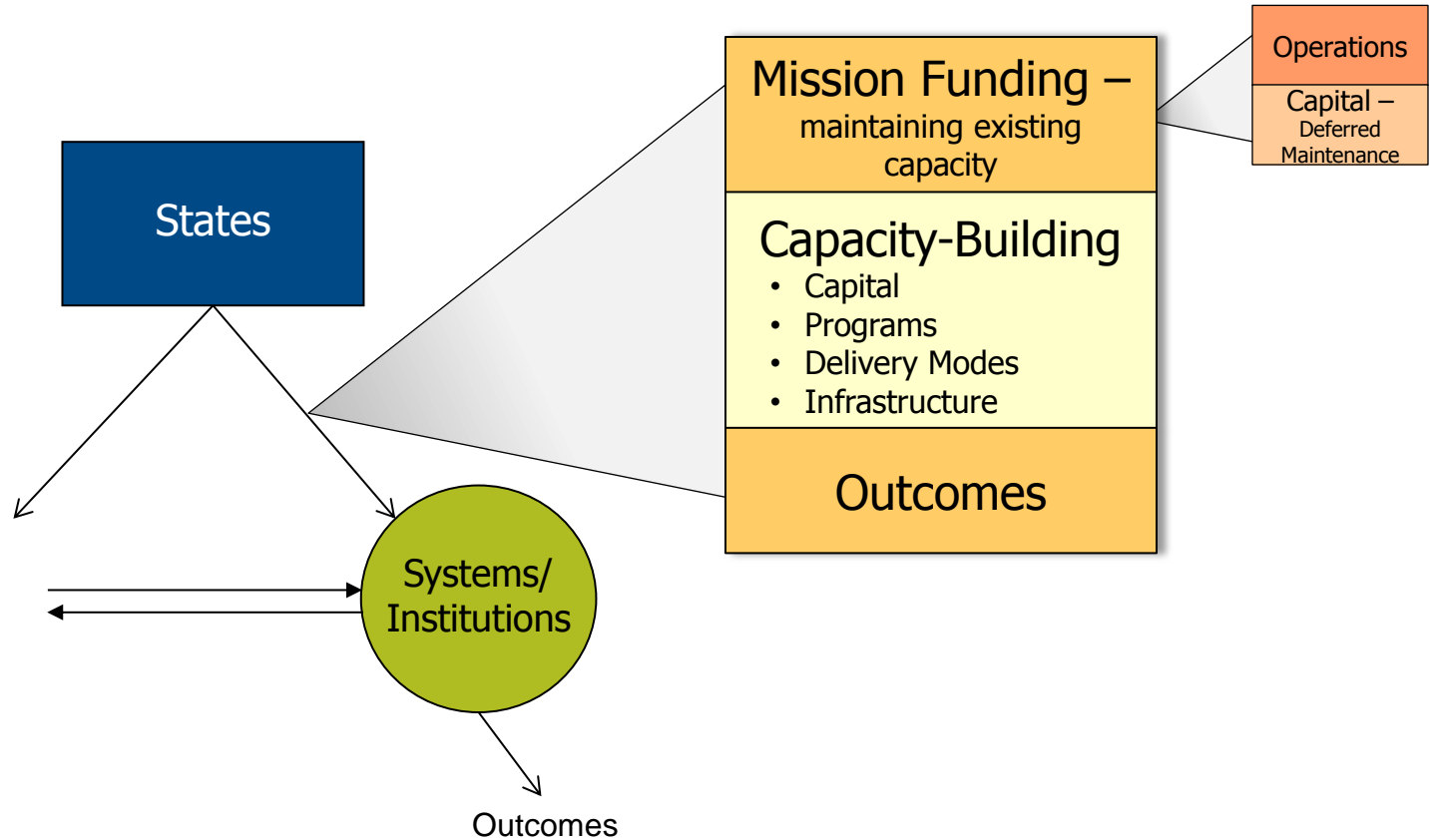
The Elements of Finance Policy



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



What's Different

- Two components that explicitly reflect state priorities
 - Capacity building – a new approach to the capital budget
 - Capacity utilization – performance/outcomes funding

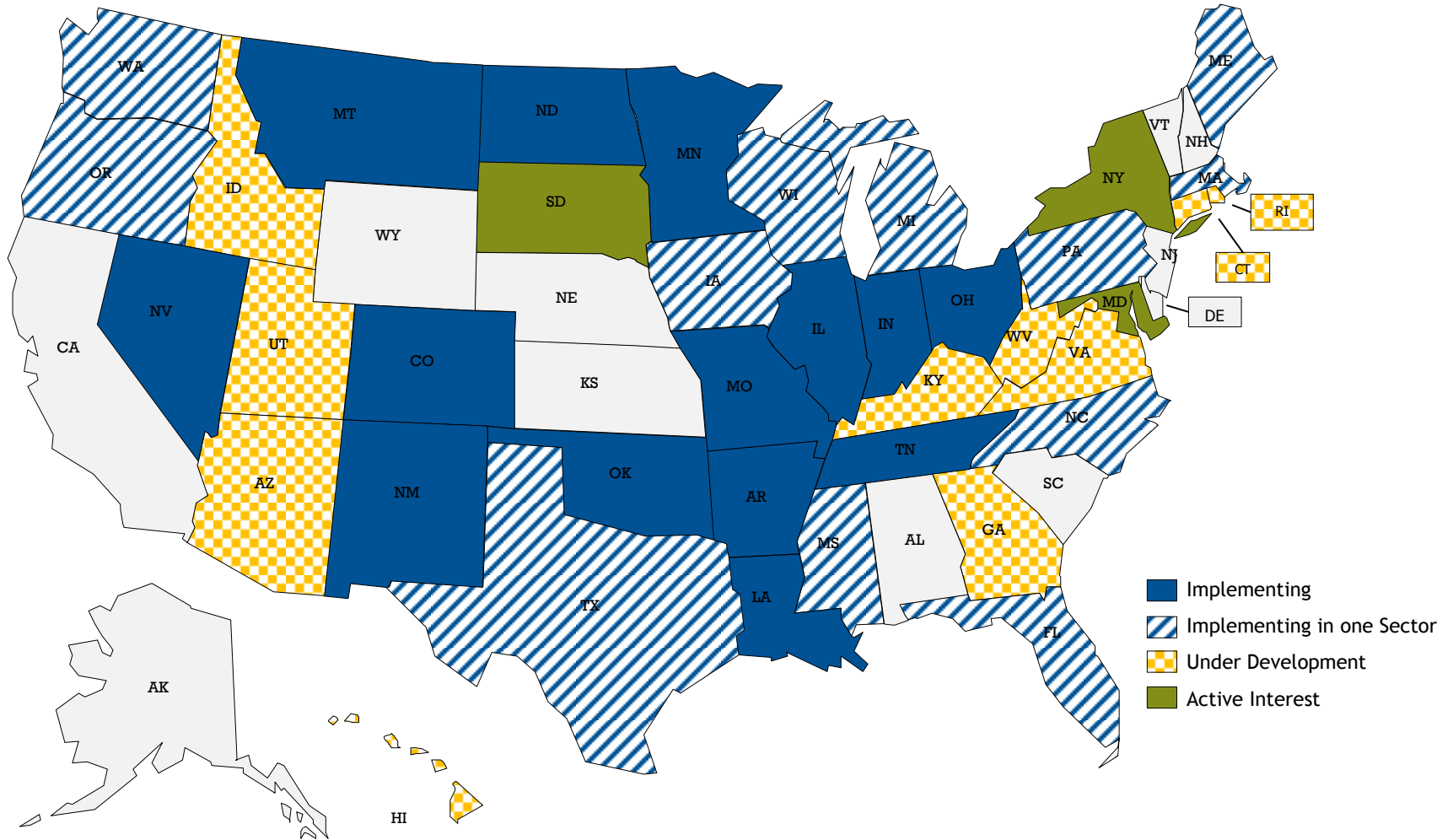
Shifting the Focus in the Capital Budget

- 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



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

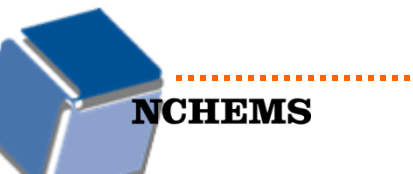
Design Principles

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

Design Principles

(continued)

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?

For More Information Contact:

Dennis Jones



National Center for Higher Education Management Systems

dennis@nchems.org

303-497-0301

