

Measuring and Funding Performance

A Presentation to Connecticut Legislators
by
The New England Board of Higher Education

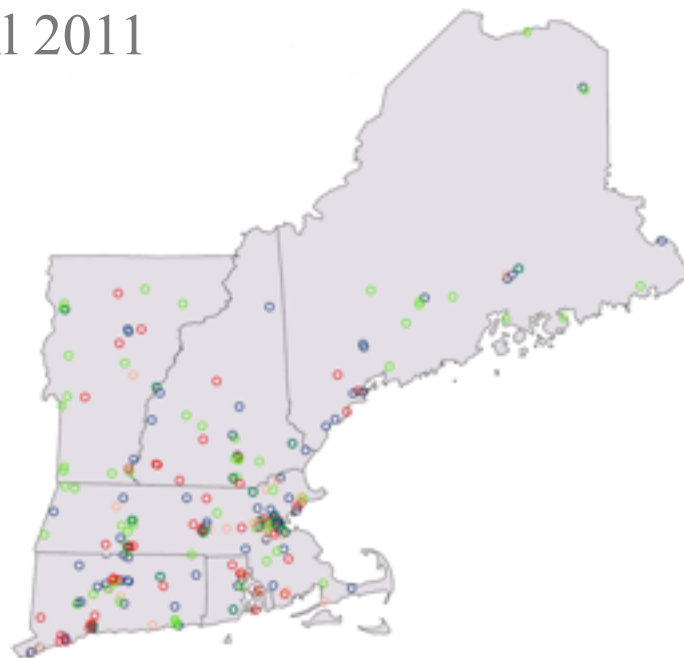
February 27, 2013



New England at a Glance

New England is home to 260 non-profit postsecondary institutions...

- Contribute an estimated \$100 billion annually in overall impact (Source: Unpublished NEASC estimates for AY2009-10)
- Employ over 200,000 people—almost 230,000 when including medical staff as of Fall 2011
- Enrolled almost 970,000 students in Fall 2011
- Grant over 200,000 degrees annually



Source: IPEDS, unless indicated otherwise 2

About NEBHE

- Interstate agency, chartered by New England Governors in 1955
- Mission: Expand educational opportunities and resources
- Key areas:
 - Cost savings & affordability
 - College readiness & success
 - Policy leadership on key issues related to education & economy
 - Strengthening higher education's link to local and regional economic development



About NEBHE

- Regional Student Program “Tuition Break”
- Issue-oriented Conferences & Annual Excellence Awards
- Professional & Curriculum Development in STEM fields
- *The New England Journal of Higher Education* (formerly *Connection*)
- Policy & Research Reports, including “Trends & Indicators”
- Master Property Insurance Cost-saving Collaborative



Critical Crossroads

- Difficult recovery from 2008 recession
- Continued decline of public support for higher education
- Pressure on all institutional revenue streams has led Moody's to downgrade its outlook for U.S. higher education to *negative*
- Clear national mandate to radically expand the number of citizens with postsecondary credentials

“The role of higher education (public in particular) in the state and national economy must be explained and documented better...However, higher education must also transform [itself,] drive down the cost of providing quality education (and contribute to stable prices, or at least a lower rate of increases in price), and embrace adoption of metrics that demonstrate the value added by our institutions.”

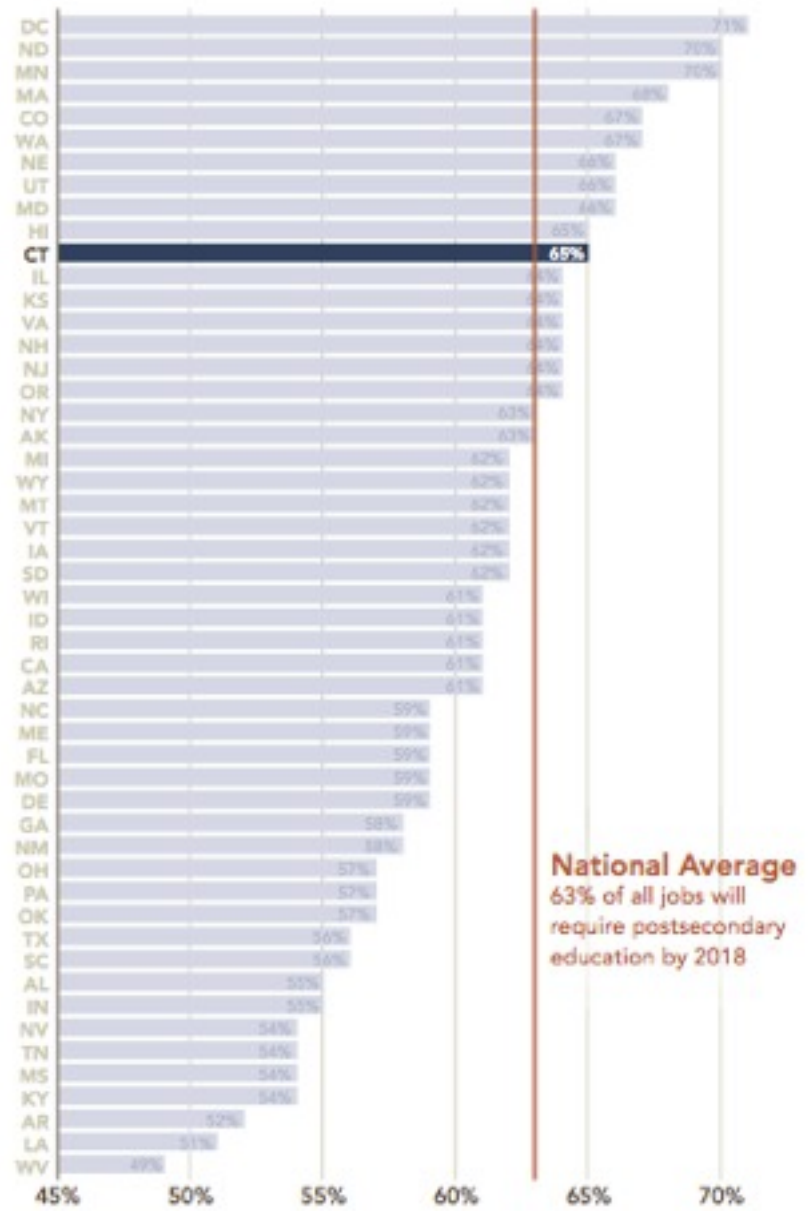
-NEBHE Fall 2012 Policy Issue Survey



Percentage of Jobs in 2018 Requiring Some Postsecondary Education, by state

CT's labor market in 2018 will require more degree holders than most other states.

Percentage of jobs in 2018 that will require a postsecondary education, by state.



Source: Georgetown Center for Education and the Workforce, Projections of Jobs and Education Requirements Through 2018, June 2010



College Completion

- Degree attainment rates are typically higher in New England than the rest of the country.
- Even so, states are falling behind college completion goals across the country.
 - More enrollments, more completions are needed
 - Current higher education structure is an obstacle to both.

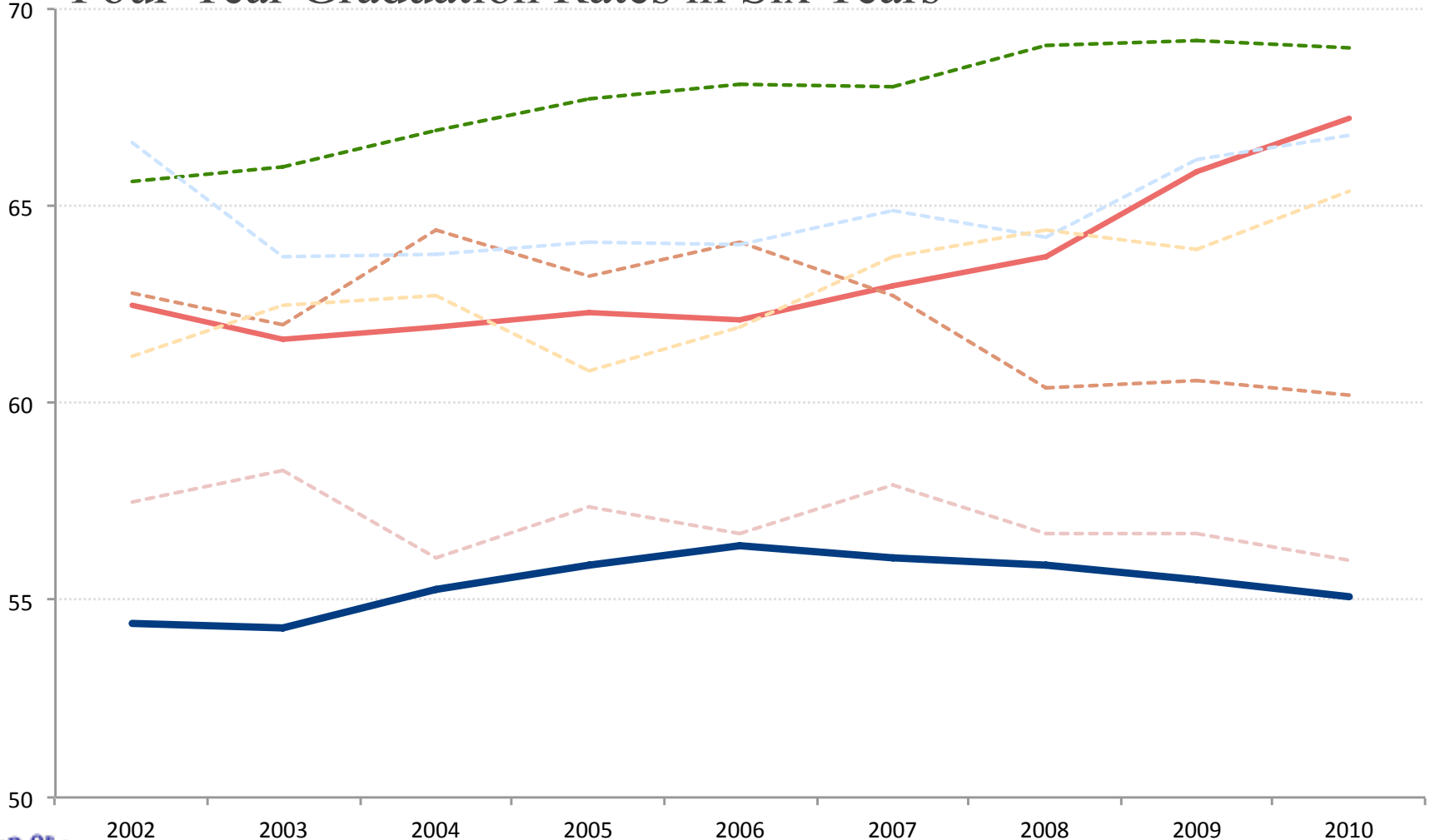
| State | Degree Attainment (2011) |
|---------------|--------------------------|
| Connecticut | 46.4% |
| Maine | 40.0% |
| Massachusetts | 50.8% |
| New Hampshire | 45.8% |
| Rhode Island | 43.2% |
| Vermont | 46.2% |
| US | 38.7% |

Rates are for adults ages 25-64 with an Associates Degree or higher.



College Completion

Four-Year Graduation Rates in Six Years

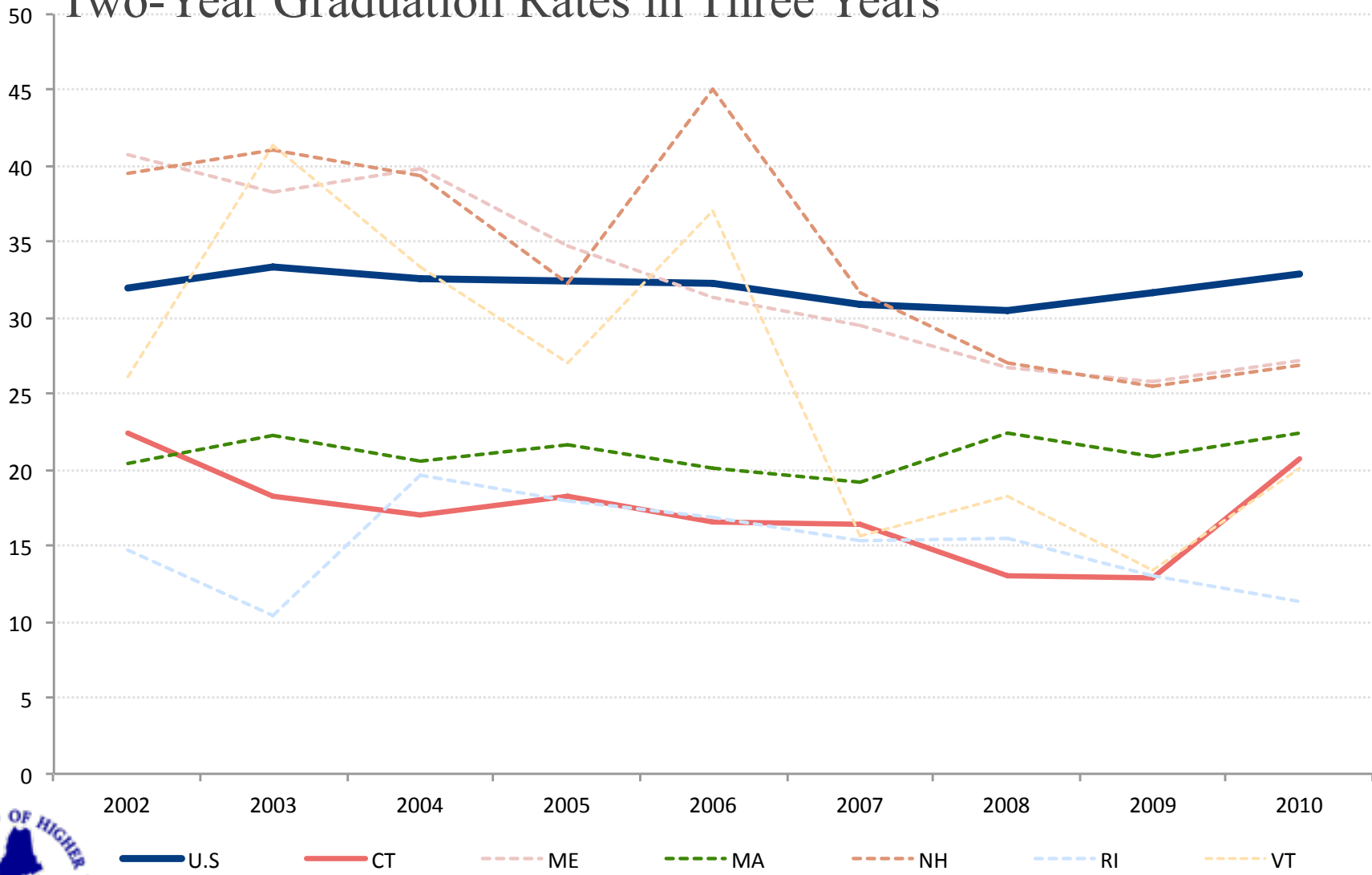


U.S. CT ME MA NH RI VT

Source: IPEDS Trend Generator, Accessed Feb. 2013

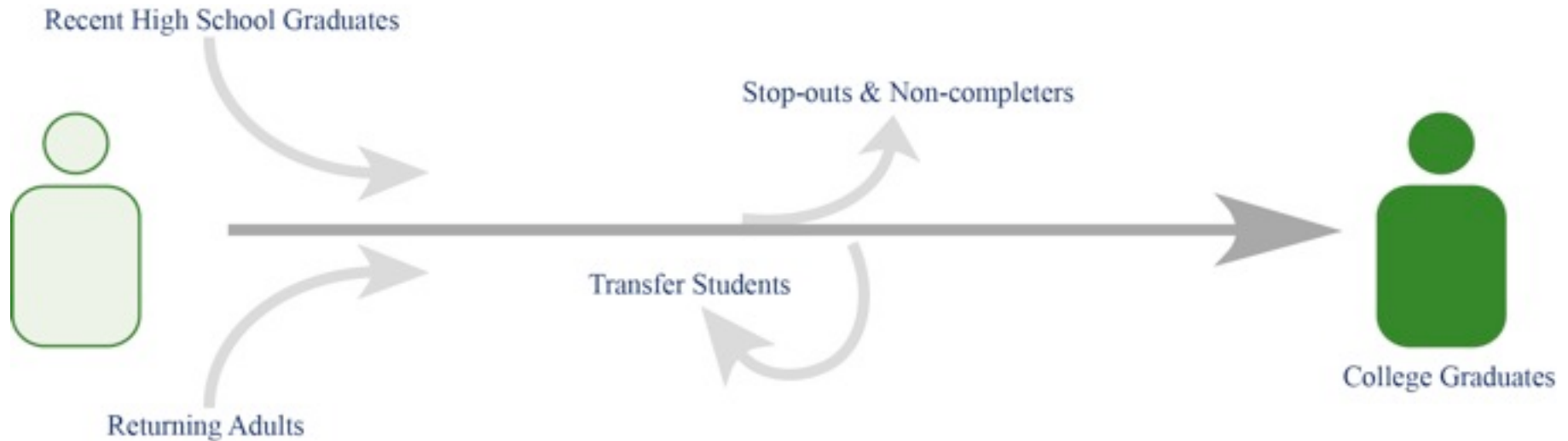
College Completion

Two-Year Graduation Rates in Three Years



Source: IPEDS Trend Generator, Accessed Feb. 2013

College Completion



- Incentive Programs
- Performance or Outcomes-based Funding



Performance Funding

| v1.0 | v2.0 |
|--|--|
| More outcomes focused (completion rates, job placements) | More process focused (credit thresholds; course completions) |
| Bonus funds, as a complement to base funding formulas | Examples of outcomes-based formula funding |
| Smaller amounts of money | Larger amounts of money |



Source: Community College Research Center; NCHEMS; HCM Strategists 11

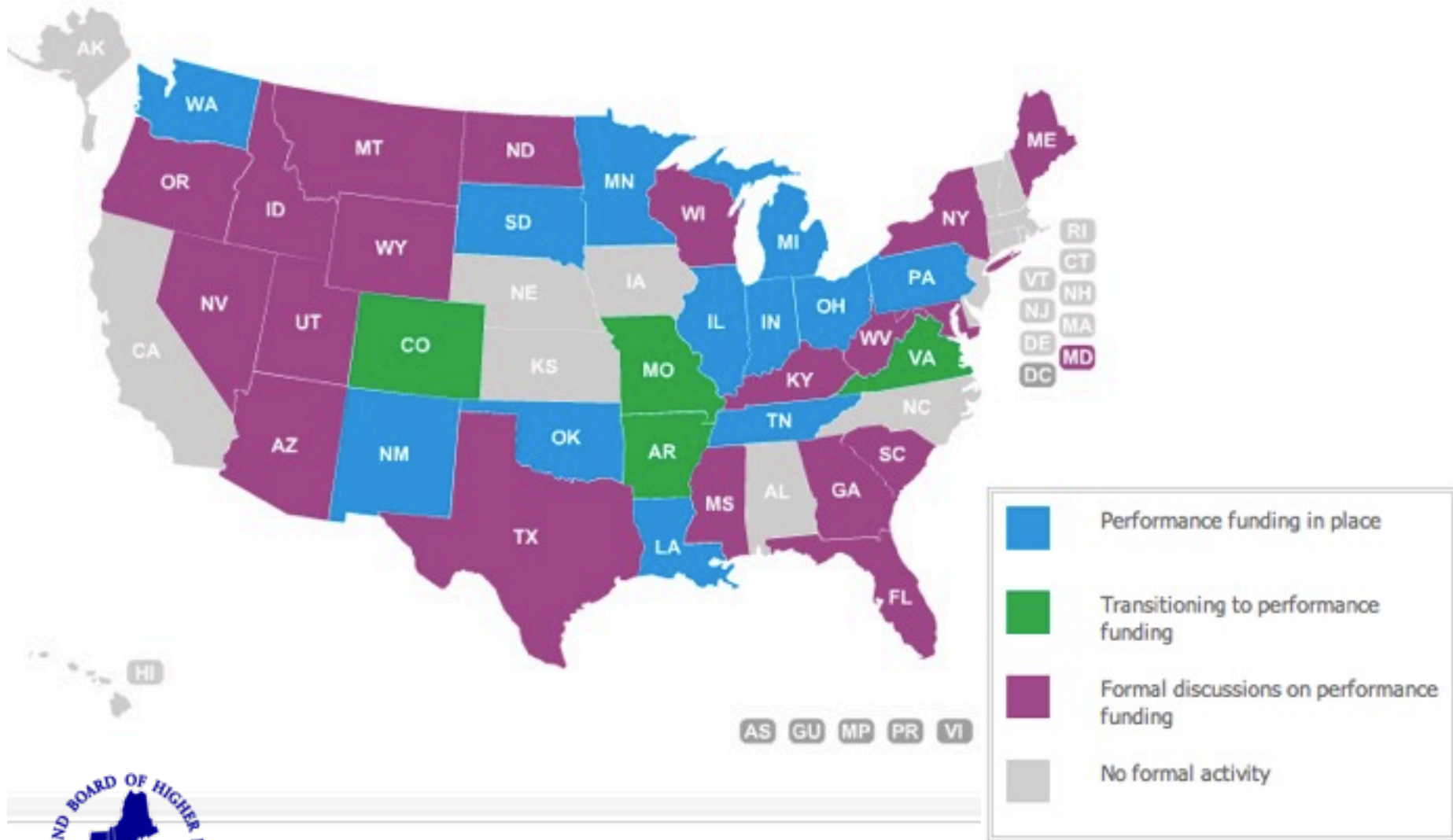
Why 2.0?

Performance Funding 1.0 often ended because:

- Loss of champions and advocates
 - Changing leadership, business community support
 - Political capital of institutions, system offices and coordinating bodies
- State financial downturns, resulting in cuts to higher education state appropriations
- Lack of support from higher education institutions
- Ex. Arkansas, Colorado, Florida, Illinois, Kentucky, Minnesota, Missouri, South Carolina, Washington



Performance Funding: Who's Who



Source: National Conference of State Legislatures (NCSL), Education Program February 2013 13



Missouri

- Funding for Results program began in 1994 with four-year institutions; two-year institutions added in 1995.
- 1 Coordinating Board for Higher Education
- Separate institutional governing boards
- Four indicators common to both two- and four-year institutions
 - Freshman success rates
 - Success of Underrepresented Groups
 - Performance of Graduates
 - Successful Transfer
- Defunded in 2002 due to budget shortfall and lack of support



Missouri (cont.)

- New Performance Based Funding Model proposed for FY14
- Tied to proposed increase in appropriations for higher education

| Community Colleges | Linn State Technical College | Public Universities* |
|--|--|------------------------------|
| Three-year completion rate for first-time full-time entering students (includes transfers) | Three-year graduation rate | Student success and progress |
| Developmental course (and subsequent college-level course) completion | Freshman-to-sophomore retention rate | Increased degree attainment |
| Pass rates on licensure/certificate exams | Job placement | Quality of student learning |
| Financial responsibility and efficiency | Major field assessments and/or licensure exams | Financial responsibility |



* Public universities also chose one additional mission-related measure

Source: Office of Missouri Governor Jay Nixon; CCRC; MDHE Performance Funding Model
Testimony to the Joint Committee on Education

Ohio

- First established in the early 1980s through a set of goal-oriented funding programs meant to apply for different institutions.
- Longest running program: Research-based program, rewarding institutions for research competitiveness; awards were on top of base funding allocations
- Waves of programs occurred in 1980s and 1990s economic boom
- In 2007, Gov. Strickland turns the chancellor of the Board of Regents into a cabinet level position (colleges and universities maintain individual boards of trustees).
- Throughout 2008-2009, Board of Regents begin developing a performance-based funding formula (shifting from enrollment-based funding) with help from four-year and two-year Ohio institutions and chief financial officers of each institution.



Source: Jobs for the Future, *Tying Funding to Community College Outcomes* (2012); American Enterprise Institute, *The Ohio Experience with Outcomes-Based Funding* (2011)

Ohio (cont.)

- Performance-based funding system takes effect for four-year institutions in FY2010; FY2011 for community colleges
- Both formulas have a stop-loss provision and metrics that shift over time for an “eased” implementation

| Four-Year Institutions | Two-Year Institutions |
|--|--|
| Rewards campuses for successful course completion, degree completion with different weights for “at-risk students” | “Success Points” for students progressing from developmental to college level; credit thresholds; transfer and degree completion |
| Course completion weights heavier at the beginning of formula implementation, shifting to completion over time | Maintains an enrollment-based portion |
| Separate formulas for main campuses and regional campuses, accounting for research and transfer missions | “Success Points” account for 5% in FY11, 7.5% in FY12; 10% in FY13; 20% cap in FY15. |



Source: Jobs for the Future, *Tying Funding to Community College Outcomes* (2012); Fingerhut, Eric. *Ohio's Performance-Based Subsidy Formula for Higher Education*. Testimony to the Illinois Higher Education Finance Commission, August 30, 2010. 17

Tennessee

- Established in 1979, with metrics for 2- and 4-year institutions
 - 1 coordinating board, Tennessee Higher Education Commission
 - 2 systems (University of Tennessee system; Tennessee Board of Regents System)
 - UT System = 5 campuses; approx. 50,000 students
 - TBR system = 46 institutions; over 200,000 students
- Performance incentives allowed institutions to earn a “bonus” above annual state appropriations for achieving specific goals
 - Student performance on general education assessments; satisfaction surveys; peer review of academic programs; course and degree completions; student retention)



Tennessee (cont.)

- In 2010, Complete College Tennessee Act changed base funding formula from an enrollment-based model to an outcomes-based one:
 - Institutions are funded solely on student outcomes (*productivity*)
 - Student progression (credit hour thresholds)
 - Number of degrees awarded
 - Number of student transfers
 - Weights given to student subgroups
- Performance Funding Program changed, with student retention and success metrics ceded to the new funding formula
 - 75% determined by *quality* of student learning and engagement
 - 25% determined by *quality* of student access and success



Three-State Summary

| | Missouri | Ohio | Tennessee |
|--|--|---|---|
| Who initiated formula development? | Coordinating Board for Higher Education; Governor's office | Ohio Board of Regents, with input from institutions | Complete College Tennessee Act mandated an updated base funding formula |
| Separate formulas by institution type? | Yes | Yes | Yes; also, unique weights for metrics by institution |
| Are the outcomes tied for base or bonus funding? | Originally bonus; new program proposed for FY14 | Base | Base & Bonus |
| Additional items to consider: | Rolling averages; "Sustained Excellence" benchmark | Stop-loss provision; shifting metrics over time | Credit hour thresholds; "quality" metrics |



Source: Adapted from SREB's *Outcomes-Based Funding* Policy Brief and CCRC's Working Paper No. 37 20

Areas of Consideration

- Current revenue sources for institutions that might fall under purview of PBF formula
- Current budgets, allocations, and funding formulas
- Data system and reporting capacity across institutions and system
- Institutional missions
- Long- & short-term goals of higher education funding formulas



Source: Adapted from SREB's *Outcomes-Based Funding* Policy Brief and CCRC's Working Paper No. 37 21

Questions & Comments

Monnica Chan, mchan@nebhe.org



Incentive Program Examples

Incentives for Students

- MA Student Financial Aid
- VT Stipends for students post grad, STEM fields

Incentives for Institutions

- MA Performance Incentive Funds
- NH Community College Innovation Fund



Additional Resources

Designing Performance Based Funding Programs

- Jones, Dennis. *THINK THIS. Performance Funding: From Idea to Action*. Prepared for Complete College America, by the National Center for Higher Education Management Systems, February 2012.
- Cheryl Blanco. *Outcomes-Based Funding*. Southern Regional Education Board Policy Brief, September 2012.

Direct Links to Other States' Models and Legislation:

- National Conference of State Legislatures, Performance-Based Funding for Higher Education webpage: <http://www.ncsl.org/issues-research/educ/performance-funding.aspx>



Additional Resources

Performance Based Funding History

- National Center for Higher Education Management Systems (NCHEMS)
 - Jones, Dennis and Martha Snyder. (May 12, 2012) Performance Funding and Strategic Finance for Higher Education. Presentation at the NGA Center for Best Practices Postsecondary Policy Academy, Denver, CO.
- Community College Research Center (CCRC)
 - Dougherty, K. J. & Reddy, V. (2011) *The Impacts of State Performance Funding Systems on higher Education Institutions: Research Literature Review and Policy Recommendations*. (CCRC Working Paper No. 37). New York, NY: Columbia University, Teachers College, Community College Research Center.
 - Dougherty, K.J., Natow, R. S., & Vega, B.E. (2012). Popular but unstable: Explaining why state performance funding systems in the United States often do not persist. *Teachers College Record*, 114(3).



Cost and Spending, FY10

Since FY2005, education and related (E&R) spending per FTE and per completion have gone up. On average across the region and across institution types, spending per completion has risen more quickly than spending per FTE in actual dollar amounts during this time.

| State | Four-Year Private Institutions | | Four-Year Public Institutions | | Two-Year Public | |
|--------------------|--------------------------------|--------------------|-------------------------------|--------------------|-----------------|--------------------|
| | E&R Per FTE | E&R Per Completion | E&R Per FTE | E&R Per Completion | E&R Per FTE | E&R Per Completion |
| CT | \$33,526 | \$115,425 | \$16,617 | \$66,775 | \$12,389 | \$72,040 |
| ME | \$25,942 | \$106,649 | \$18,967 | \$87,695 | \$11,046 | \$47,272 |
| MA | \$28,098 | \$96,559 | \$14,699 | \$63,085 | \$10,348 | \$53,323 |
| NH | \$24,057 | \$95,666 | \$13,538 | \$52,048 | \$12,007 | \$46,423 |
| RI | \$24,457 | \$86,382 | \$12,364 | \$56,826 | \$8,870 | \$64,485 |
| VT | \$24,988 | \$86,552 | \$18,227 | \$75,079 | NA | NA |
| New England | \$23,295 | \$91,710 | \$13,649 | \$59,494 | \$19,816 | \$42,472 |



Note: E&R (education and related) spending is the amount of money spent by institutions on costs related to directly to instruction. Research expenditures are not included, although a pro-rated share of an institution's academic services and physical plant is included.

Source: NEBHE analysis of Delta Cost Project data, avail. from the U.S. Dept of Education

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State Support of Higher Education

- State appropriations are typically higher than national averages, and the highest in the region.
- Since FY11, state appropriations have declined, in CT and across the region.
 - FY13 state fiscal support for higher education dropped 11% in CT since FY11

| State | FY11 State Appropriations per FTE |
|-----------|-----------------------------------|
| CT | \$8,176 |
| US | \$6,290 |
| ME | \$6,155 |
| MA | \$5,599 |
| RI | \$4,674 |
| NH | \$2,646 |
| VT | \$2,599 |

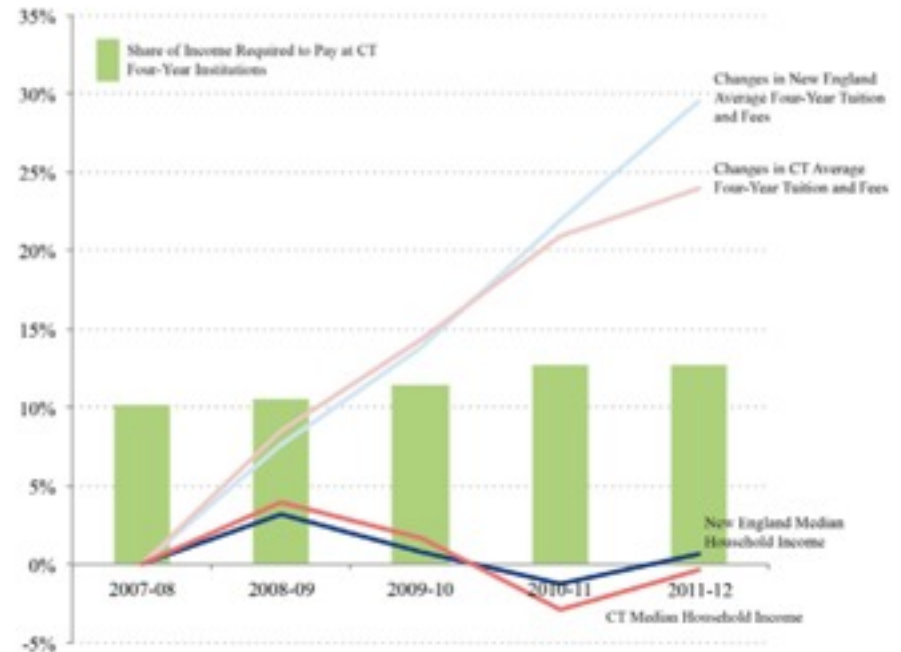


Source: SHEEO SHEF Report, 2011; Grapevine Survey, FY2012-137

Affordability

- In 2012-13, in-state tuition and fee rates at CT public postsecondary institutions averaged among the lowest in the region.
- Connecticut provided an estimated \$449 per undergraduate FTE in FY2011 (the second highest in New England), according to NASSGAP.

Changes in Household Income and Public In-State Four-Year Tuition and Fees relative to 2007-08, in New England and Connecticut, 2007-2011



Source: NEHBE; analysis of data provided by New England public postsecondary institutions and state agencies; U.S. Census Bureau, 2006-2011 American Community Surveys.

