



Analysis of States' Use of Student Enrollments and Performance Criteria in Higher Education Funding

May 2012

REPORT FOR THE NEVADA LEGISLATURE'S
COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION



Presentation Agenda

Background

Use of Student Enrollments in Funding Formulas

**Use of Performance-Related Components in
Funding Formulas**

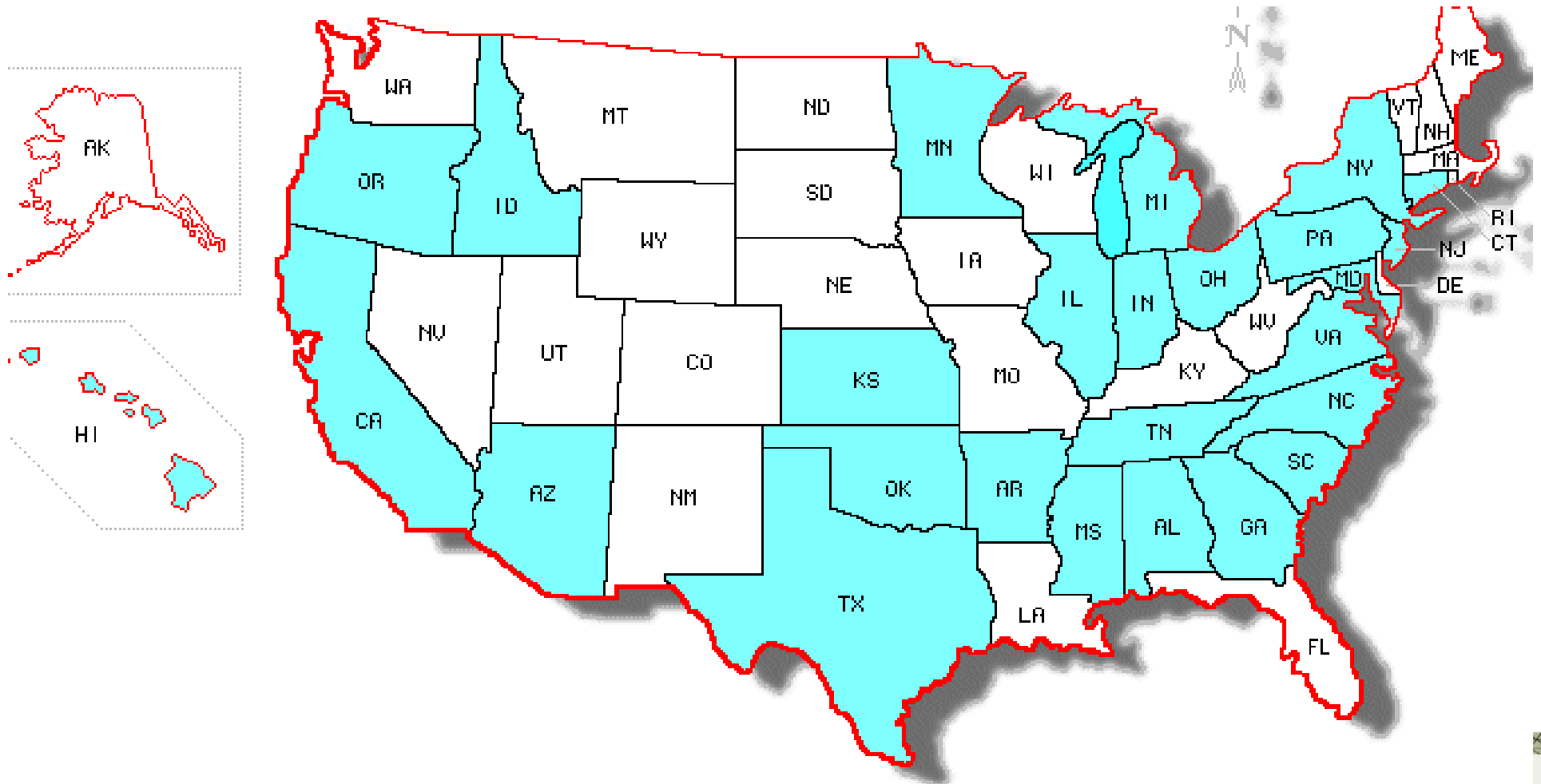
Evaluating best practices

Use of FTE enrollments in current formula

State-supported budget

- Funding formula calculates funding levels
 - The formula for instruction is mainly based on student-to-faculty ratios using full-time equivalent (FTE) student counts. Notably, this counts both in-state and out-of-state students.
 - The formula for academic support is based on the number of full-time equivalent faculty members and staff members, number of library volumes, and the instruction budget.
 - The formula for student services is based on combined headcount and FTE enrollment.
 - The formula for institutional support is based on total operating budgets.
 - The formula for operations and maintenance of physical plant is based on maintained square feet calculation.
- Developed in 1989, revised in 2001

States with full-time enrollment as the driver



Ohio, Hawai'i, and Kansas: 2-year institutions only
Tennessee: community college dual enrollment only

Use of course completion

- “End of course” completion:
 - Counted as long as a grade is received (i.e. withdrawals are not counted).
 - Louisiana and New Mexico are using/implementing this in their funding formulas.
 - Proposed NSHE formula based on end of course completion.
- Successful course completion
 - A course for which a letter grade above a failure mark has been entered.
 - Ohio and Tennessee use successfully completed course as the drivers of their formula for four-year institutions.

Use of enrollment vs. use of successful completion

- Use of enrollment is an incentive for:
 - Access
 - Acceptance of under-qualified students
 - Mission creep
- Use of successful course completion is an incentive for:
 - Student progress
 - Increased standards for admission
 - Grade inflation

Performance-related funding criteria

Past practice in other states:

- Output-based systems – funding formulas that incorporate counts of inputs and/or outputs into budgets.
- Performance contracts – agreements between institutions and states regarding performance improvement in exchange for state appropriations.
- Performance set-asides – a separate portion of the state appropriation awarded to institutions on a competitive basis.

Types of performance-related criteria used

Output metrics

- **Degrees awarded:** annual number and/or percentage increase in certificates, associate's degrees, bachelor's degrees, master's degrees, doctorate degrees, and other professional degrees. Exactly which degrees are tracked depends on the state and institution.
- **Graduation rates (also know as time to degree):** number and/or percentage of certificate- or degree-seeking students who graduate in a predetermined length of time. On-time rate are defined as two years for associate's degrees and four years for bachelor's degrees. Extended time usually refers to three years for associate's degrees and six years for bachelor's degrees.
- **Research incentives:** metrics related to the amount of federal research and development money brought into the university.

Types of performance-related criteria used

Progress metrics

- **Transfer rates:** annual number and/or percentage of student who transfer from a two-year to a four-year institution.
- **Successful course completion:** a course for which a letter grade above a D- or pass has been entered.
- **Time and credit to degree:** average length of time in years or average number of credit earned.
- **Student progression (also known as credit accumulation):** students are weighted more for funding purposes after they pass credit hour thresholds.
- **Progress through remedial and adult education.**
- **Job placements.**

Types of performance-related criteria used

Outcome metrics/metrics linked to economic development goals

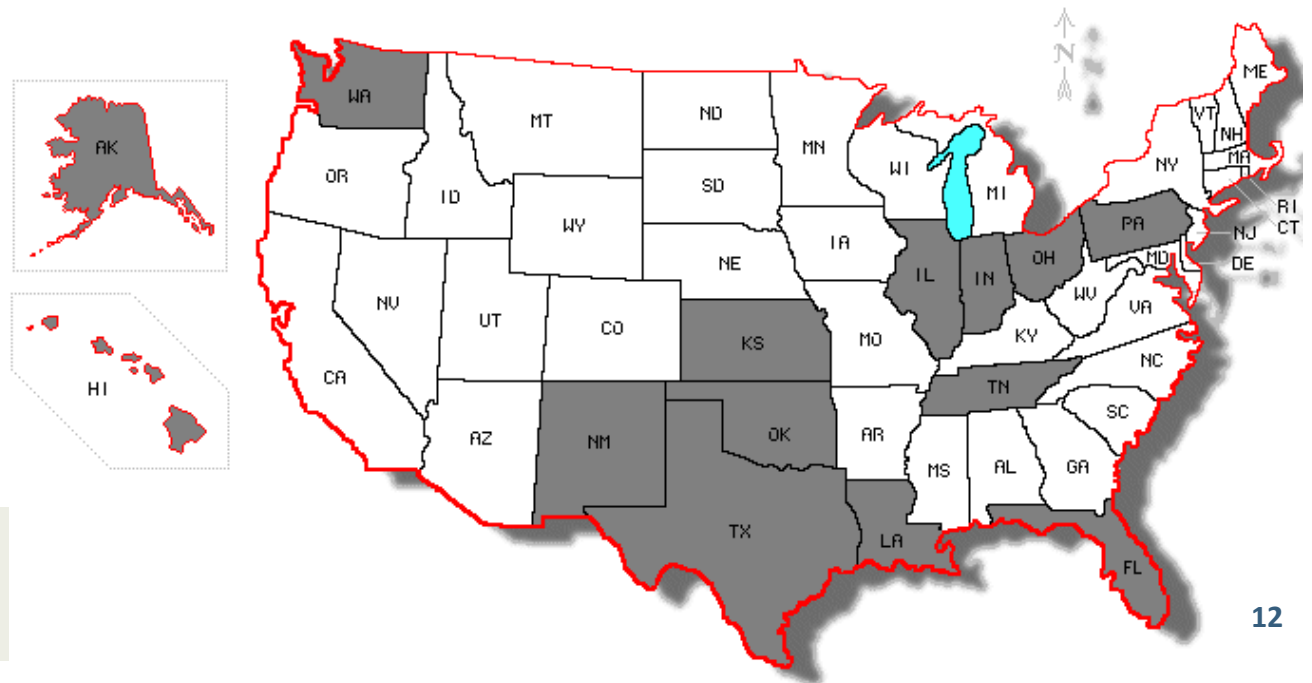
- Earned research dollars.
- Degrees linked to workforce development goals: high demand degrees generally in science, technology, engineering, mathematics and healthcare.
- Degrees to at-risk students.

National Governors Association Completion Metrics

NGA College Completion Metrics

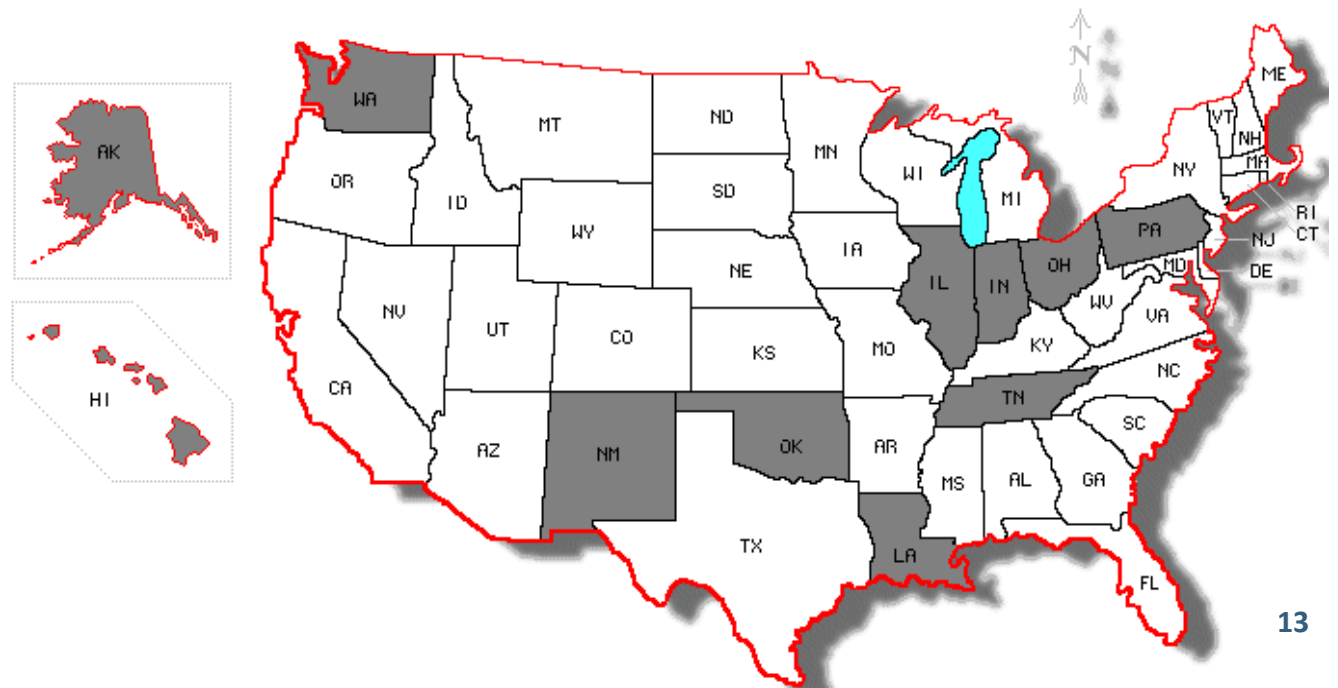
Output metrics

- Degree/certificate completion
- Graduation rates
- Transfer rates
- Time and credit to degrees



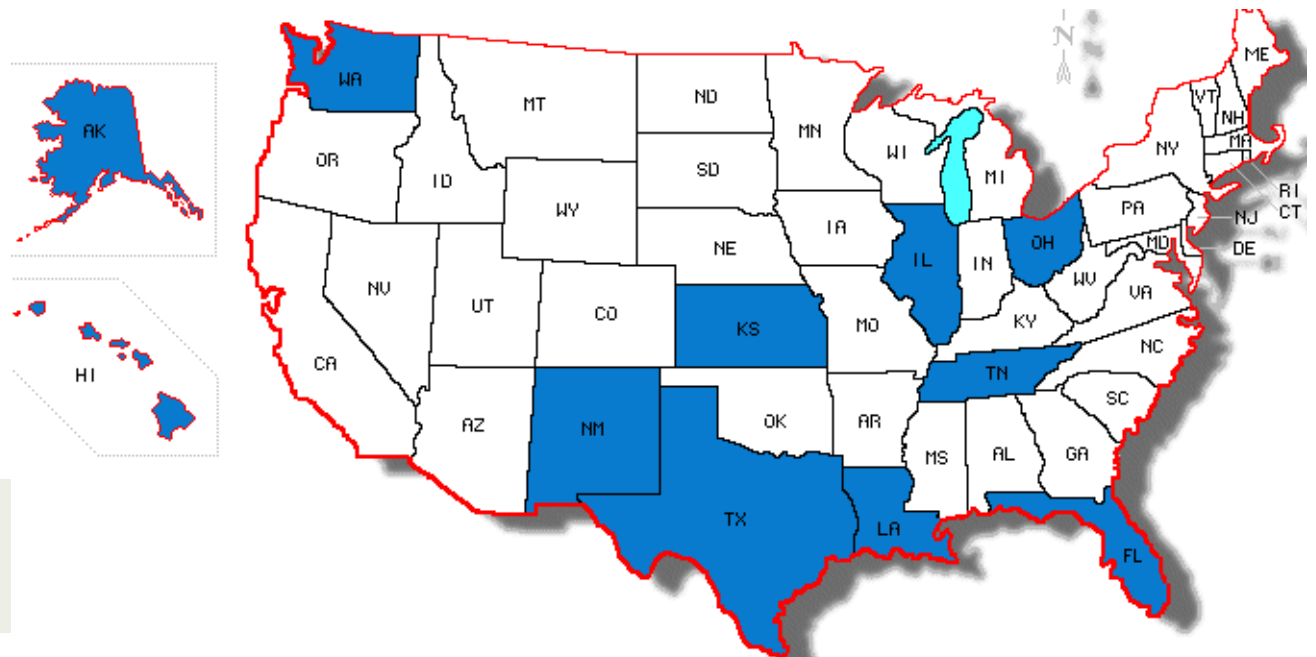
Progress metrics

- Course completion
- Credit accumulation
- Remedial education success



Outcome metrics

- At-risk student degree completion/graduate rate
- Completion of high-demand degrees (STEM, health care)
- Job placements/work force development goals
- Research incentives



Status of performance criteria discussions

States which currently use, or have a definite plan to switch to, performance-based funding		States considering performance-based funding
Arkansas	Montana	Connecticut
Colorado ¹	New Mexico	Arizona
Florida ²	Ohio	Georgia
Hawai'i ³	Oklahoma	Idaho
Illinois ⁴	Pennsylvania	Kentucky
Indiana	South Carolina	Massachusetts
Kansas	Tennessee	Mississippi
Louisiana	Texas	New York
Maryland	Washington	Nevada
		North Dakota
		Oregon
		Michigan
		Virginia
		West Virginia

¹ CO will only switch to PBF if the state meets a target funding threshold.

² 2-year institutions only; 4-year institution plan under development

³ 2-year institutions only; 4-year institution plan has been developed but not yet implemented due to lack of funding

⁴ 2-year institutions only; 4-year institution plan under development

Performance funding

- Not a new concept.
- Abandoned in the past for a variety of reasons:
 - Higher education's lack of support for performance funding systems.
 - Difficulty in meeting performance criteria.
 - Not enough money to change behavior.
 - Insufficient attention to institutional diversity.
 - Incongruence between the goals of the legislature and the goals of the institutions.
- Current implementations are relatively new; some improvement in median time to degree for bachelor's degrees has been shown in Ohio.

Policy considerations

- Funding based on enrollment incentivizes:
 - Access
 - Admission of under-qualified students
- Funding based on enrollment does not incentivize:
 - Support for under-qualified students
 - Alignment with policy/economic development goals

Policy considerations

- Performance-based funding can incentivize:
 - Alignment with policy/economic development goals
 - Attainment
 - Quality
- To be successful, criteria must be:
 - Clear
 - Differentiated
 - Scaled to be effective

Recommendations: Current formula

- Reflects the principle of access; institutions rewarded for enrolling students.
- Not tightly linked to larger policy goals.
- No economic development goal attached to research funding.
- Performance criteria never adopted.
- No consideration of quality in the form of skills, competencies.

Recommendations: NSHE alternate formula

- Important commitment to a performance pool.
- Many benefits of focus on # of graduates.
- A greater role for progress metrics is desirable.
- A metric for learning outcomes should be adopted in the future, and data collection begun immediately.
- Research should be incorporated in ways directly aligned with economic development goals.
- Additional weight should be assigned for remediation.

Roland.Stephen@sri.com

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