Performance-Based Funding: Are you Ready?

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Agenda

1) Introduction
2) National Trends
3) Common Barriers
4) Performance-Based Funding
5) Recommendations
6) Discussion and Questions
The Perfect Storm: External Factors

- State Appropriations and Funding Policies
- Increased Tuition Dependency
- Changing Demographics
- Stagnant Retention and Graduation Rates
- Increased Calls for Accountability
- Accreditation
- Institutional Reputation and National Rankings
- Consumerism
Changing Demographics

Projected Change in the Number of High-School Graduates, 2009-10 to 2019-20

SOURCE: WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION
“Non-Traditional” = “New Majority”

Characteristics

• Do not enter college immediately after high school
• Attend part time rather than full time
• Work 35 hours or more a week
• Are financially independent
• Have dependents other than a spouse
• Can be a single parent
• Lack a high school diploma (though may have a GED or other high school equivalency)
Performance Isn’t Improving

Percentage of First-Year Students at Four-Year Colleges Who Return for Second Year

Source: Compiled from ACT Institutional Data Files.
Performance Isn’t Improving

Percentage of Four-Year College Students Who Earn a Degree Within Five Years of Entry

Source: Compiled from ACT Institutional Data Files.
# Students Aren’t Reaching The Second Year

## Summary Table: National First- to Second-Year Retention Rates by Institutional Type

<table>
<thead>
<tr>
<th>Degree Level/Control</th>
<th>N</th>
<th>SD*</th>
<th>Mean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-year Public</td>
<td>792</td>
<td>12.4</td>
<td>55.4</td>
</tr>
<tr>
<td>Two-year Private</td>
<td>84</td>
<td>27.4</td>
<td>57.8</td>
</tr>
<tr>
<td>BA/BS Public</td>
<td>86</td>
<td>11.5</td>
<td>65.6</td>
</tr>
<tr>
<td>BA/BS Private</td>
<td>378</td>
<td>18.9</td>
<td>69.0</td>
</tr>
<tr>
<td>MA/1st Professional Public</td>
<td>228</td>
<td>10.3</td>
<td>71.2</td>
</tr>
<tr>
<td>MA/1st Professional Private</td>
<td>507</td>
<td>14.0</td>
<td>71.9</td>
</tr>
<tr>
<td>PhD Public</td>
<td>250</td>
<td>12.5</td>
<td>77.9</td>
</tr>
<tr>
<td>PhD Private</td>
<td>258</td>
<td>13.9</td>
<td>80.3</td>
</tr>
<tr>
<td>Total</td>
<td>2,583</td>
<td>N/A</td>
<td>67.1</td>
</tr>
</tbody>
</table>

* Standard Deviation

Source: ACT Institutional Data File, 2011
### Summary Table: National Persistence to Degree* Rates by Institutional Type

<table>
<thead>
<tr>
<th>Degree Level/Control</th>
<th>N</th>
<th>SD</th>
<th>Mean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-year Public</td>
<td>447</td>
<td>19.6</td>
<td>26.9</td>
</tr>
<tr>
<td>Two-year Private</td>
<td>47</td>
<td>31.1</td>
<td>50.0</td>
</tr>
<tr>
<td>BA/BS Public</td>
<td>49</td>
<td>22.2</td>
<td>37.9</td>
</tr>
<tr>
<td>BA/BS Private</td>
<td>233</td>
<td>23.0</td>
<td>54.3</td>
</tr>
<tr>
<td>MA/1st Professional Public</td>
<td>196</td>
<td>16.6</td>
<td>38.6</td>
</tr>
<tr>
<td>MA/1st Professional Private</td>
<td>403</td>
<td>17.4</td>
<td>55.2</td>
</tr>
<tr>
<td>PhD Public</td>
<td>233</td>
<td>18.7</td>
<td>47.9</td>
</tr>
<tr>
<td>PhD Private</td>
<td>228</td>
<td>18.2</td>
<td>63.8</td>
</tr>
<tr>
<td>Total</td>
<td>1,836</td>
<td>N/A</td>
<td><strong>46.0</strong></td>
</tr>
</tbody>
</table>

*Completion in 3 years for Associate Degree; 5 years for BA/BS

Source: ACT Institutional Data File, 2011
Common Barriers
Students Least Likely to Persist

- Do not engage in an academically-intensive high school curriculum
- Delay entry between high school and college enrollment
- Are often low-income and/or first-generation
- Attend more than 1 other institution prior to enrollment (indicates pattern of “swirling”)
- Have excessive withdrawals and repeats
  - Defined as 20% of credits
  - Probability of graduating decreases by 50% at this level
- Attend part-time
- Stop-out for more than one semester (exclusive of summer)
  - Continuous enrollment increases the probability of graduation by 43%
- Experience falling GPAs over time
- Work excessive numbers of hours

*The Toolbox Revisited (2006) and Crossing the Finish Line (2009)*
Lack of Plans and Goals

<table>
<thead>
<tr>
<th></th>
<th>Community Colleges</th>
<th>Private Four-Year Colleges</th>
<th>Public Four-Year Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified person to coordinate retention</td>
<td>59.5%</td>
<td>70.0%</td>
<td>69.4%</td>
</tr>
<tr>
<td>Established goal for retention from 1st to 2nd year</td>
<td>32.1%</td>
<td>53.6%</td>
<td>66.3%</td>
</tr>
<tr>
<td>Established goal for degree completion</td>
<td>23.3%</td>
<td>35.5%</td>
<td>52.7%</td>
</tr>
</tbody>
</table>

Barriers to Student Success

The institution lacks an institution-wide strategic plan to address retention and student success issues.

49% defined as a barrier

The institution doesn’t have enough staff to provide interventions to all at-risk students.

71% defined as a barrier

Results from SunGard Higher Education / Isurus survey conducted with 200 institutions, 2009
Barriers to Student Success

The institution doesn’t have a systematic way to identify at-risk students early enough in the semester to impact their performance in that course.

53% defined as a barrier

The most at-risk students don’t take advantage of available support services even when they are aware of them.

76% defined as a barrier

Results from SunGard Higher Education / Isurus survey conducted with 200 institutions, 2009
Performance-Based Funding
What is Performance-Based Funding?

Performance-based funding is a decades-old higher education finance strategy that links state funding for public colleges and universities with institutional performance.

Source: Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing
AASCU Policy Matters, June 2011
Performance-Based Funding: Primary Components

- Goals
- Measurements
- Incentives
Measurement: Outputs & Progress Towards Goals

• **General Outcome Indicators**
  - Graduation Rates
  - Certificates Conferred

• **Subgroup Outcome Indicators**
  - Pell Grant Recipients
  - Nontraditional Students

• **High-need Subject Outcome Indicators**
  - STEM Fields
  - Nursing

• **Progress Indicators**
  - Course Completion
  - Transfer
  - Credit Milestones

*Source: US Department of Education’s College Completion Tool Kit*
Performance-Based Funding: Observed Success

• Ohio
• Pennsylvania
• Tennessee
• Washington

Performance-Based Funding: Current Approaches

• Indiana
• Louisiana
• Ohio
• Pennsylvania
• Tennessee
• Texas
• Washington

Source: Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing
AASCU Policy Matters, June 2011
Texas House Bill 9 (HB 9)

“HB 9 directs the Texas Higher Education Coordinating Board (THECB) to recommend a portion of state funding for colleges and universities on undergraduate completions, at-risk and critical field graduations, and other student outcome measures. In addition to undergraduate performance measures, HB 9 calls for a new incentive funding program known as "momentum points" for Texas' two-year colleges. The legislation provides incentives for community colleges to encourage student success and degree completion.”

House Bill 9 Headed to the Governor, 5/27/11
### Figure 1. GRAD Act Example: Louisiana Tech University

<table>
<thead>
<tr>
<th>Measure</th>
<th>Baseline Year/Term</th>
<th>Baseline Data</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st to 2nd Year Retention (targeted)</td>
<td>Fall 2008 to 2009</td>
<td>74.2%</td>
<td>76.0%</td>
<td>76.2%</td>
<td>76.4%</td>
<td>76.6%</td>
<td>76.8%</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td># in Fall 2008 Cohort</td>
<td>1,506</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td># retained in Fall 2009</td>
<td>1,118</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st to 3rd Year Retention (targeted)</td>
<td>Fall 2007 Cohort</td>
<td>61.6%</td>
<td>64%</td>
<td>64.2%</td>
<td>64.4%</td>
<td>64.6%</td>
<td>64.8%</td>
<td>65.0%</td>
</tr>
<tr>
<td></td>
<td># in Fall 2007 Cohort</td>
<td>1,522</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td># retained in Fall 2009</td>
<td>938</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Same Institution Graduation Rates (targeted)</td>
<td>2008 Grad Rate Survey</td>
<td>47.3%</td>
<td>47.5%</td>
<td>48.0%</td>
<td>48.3%</td>
<td>48.7%</td>
<td>49.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td></td>
<td>Fall Revised Cohort (total)</td>
<td>1,936</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>completers ≤150% of the time</td>
<td>916</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statewide Graduation Rate (targeted optional)</td>
<td>Fall 2002 Cohort</td>
<td>53.07%</td>
<td>55.1%</td>
<td>55.2%</td>
<td>55.4%</td>
<td>55.6%</td>
<td>55.8%</td>
<td>56.0%</td>
</tr>
<tr>
<td></td>
<td># of Fall 02 FTF (cohort)</td>
<td>1,969</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>completers ≤150% of the time</td>
<td>1,045</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Percent Change in Program Completers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Baccalaureate</td>
<td>-3.4%</td>
<td>-3.1%</td>
</tr>
<tr>
<td></td>
<td>1,306</td>
<td>1,262</td>
</tr>
<tr>
<td></td>
<td>-2.3%</td>
<td>-1.0%</td>
</tr>
<tr>
<td></td>
<td>-1.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>1306</td>
<td>1332</td>
</tr>
<tr>
<td>Post-Baccalaureate</td>
<td>31.5%</td>
<td>56.0%</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>68.0%</td>
<td>76.0%</td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>85.0%</td>
<td>85.0%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Master’s</td>
<td>16.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td></td>
<td>352</td>
<td>411</td>
</tr>
<tr>
<td></td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td></td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td></td>
<td>18.0%</td>
<td>18.0%</td>
</tr>
<tr>
<td></td>
<td>415</td>
<td>415</td>
</tr>
<tr>
<td>Doctoral</td>
<td>-2.7%</td>
<td>-0.7%</td>
</tr>
<tr>
<td></td>
<td>37</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

**Source:** Louisiana Board of Regents, 2010

*November 16, 2011*
Figure 2. Pennsylvania State System of Higher Education (PASSHE) Performance Funding System, 2011–2017

PASSHE Performance Funding System, 2011–2017 (10 total indicators—5 mandatory, 5 optional)

<table>
<thead>
<tr>
<th>Groups</th>
<th>Student Success</th>
<th>Access</th>
<th>Stewardship</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Mandatory</td>
<td>2 indicators</td>
<td>2 indicators</td>
<td>1 indicator</td>
</tr>
<tr>
<td>II. Optional</td>
<td>0–4 indicators</td>
<td>0–4 indicators</td>
<td>at least 1</td>
</tr>
<tr>
<td>III. University Specific</td>
<td></td>
<td></td>
<td>universities may develop 0–2 indicators</td>
</tr>
</tbody>
</table>

- Recommended to be equal to 2.4 percent of PASSHE's total educational and general appropriation.
- Each university will have the ability to meet performance on each measure for a maximum of ten points.
- The university will get points for meeting sub-measures.
- All points are tallied for each university, then weighted by the university's base appropriation funding determined by the allocation formula.
- Weighted points are divided into the total performance funding pool to create a dollar-per-point value that is multiplied by the number of points the university earned to establish the allocation.

**Student Success**

**Mandatory:**
1. Degrees Conferred (two sub-measures)
2. Closing the Achievement Gap (two sub-measures)

**Optional:**
1. Deep Learning Scale Results
2. Senior Survey—National Survey of Student Engagement (five sub-measures)
3. Student Persistence (two sub-measures)
4. Value-Added
5. STEM Degree Recipients

**Access**

**Mandatory:**
1. Closing the Access Gaps (two sub-measures)
2. Faculty Diversity (two sub-measures)

**Optional:**
1. Faculty Career Advancement (four sub-measures)
2. Employment (nonfaculty) Diversity (four sub-measures)
3. Student Experience with Diversity and Inclusion
4. Student Diversity
“Develop, after consultation with the Board of Regents and the University of Tennessee Board of Trustees, policies and formulae or guidelines for fair and equitable distribution and use of public funds ... that are consistent with and further the goals of the statewide master plan. The policies and formulae or guidelines shall result in an outcomes-based model.”
Performance-Based Funding: Currently Exploring

- Arkansas*
- Colorado
- Connecticut
- Illinois
- Massachusetts
- North Dakota
- Oregon
- South Carolina
- Virginia
- Washington
- West Virginia

Source: Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing
AASCU Policy Matters, June 2011
Is Outcomes-Based Funding the Right Answer?
Recommendations
How do you prepare?

Communicate  Collaborate
Evaluate      Measure
Communicate

- Identify at-risk students early enough to make a difference
  - In a course
  - In a program
  - At the institution

- Engage students proactively
  - Communicate early and often
  - Ensure communications are personalized and timely

- Connect with your colleagues
  - Ensure the right people have the right information at the right time
Collaborate

• It takes a village!

• Involve colleagues from across campus
  • Academic Affairs
  • Advisors
  • Faculty
  • Financial Aid
  • Student Affairs
  • Anyone else on campus who can make a difference
Evaluate

• Ensure you have the right technology to support your efforts
  • CRM
  • Degree Audit / Transfer Evaluation
  • Early Alert / Early Intervention
  • Reporting & Analytics

• Make sure you have the right processes in place to keep your students on track
  • To intervene with at-risk students
  • To get information into the hands of the right people
  • To advise students and keep them on track

• Assess alternative funding sources
  • Gates Foundation: Next Generation Learning Challenge
  • TAACCCT
  • Title III Funding
Measure

• Define what you need to measure
  • Based on legislative requirements
  • Based on institutional goals & objectives

• Be proactive, not reactive
  • Use scorecards to define and measure your progress towards goals
  • Understand the characteristics of students who do not succeed

• Know what’s working…and what’s not
  • Use data to identify which programs are working most effectively
  • Align your funds with the most successful programs
In Summary

• Performance-Based Funding is a re-emerging funding model

• Performance-Based Funding measures vary from state-to-state

• Performance-Based Funding requires communication, collaboration, evaluation, and measurement across your campus
Are You Ready?

• Do you have a strategic plan for improving student success and retention?

• Do you have stated goals for retention and completion?

• Have you identified the right resources on campus to help improve retention, completion, and student success?

• Can you accurately and consistently measure your retention and student success initiatives?

• Do you have the processes and technology in place to support your efforts?

• Do your students know about the resources available to them to help them succeed?
Discussion & Questions