

Performance Funding Research

What does the history of performance funding tell us about the following issues?

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Funding:

- Set an amount sufficient to garner colleges' attention, 2-5% of budget in other states.
- To serve as a reward the \$ needs to be unrestricted – available for colleges to use as they determine.
- Awarded based on evidence the academic performance of students has improved above the baseline.
- Pay for improved student performance, not for the strategies and practices needed to achieve that performance – leave those choices to the colleges
- New funds provide the greatest incentive. Can be a mix. 2-5% carved out of base budget will be perceived as a significant budget cut.
- Return unclaimed funds to the general fund or establish a competitive pool for those funds.

Timing of funding

- Measure increased performance first, then provide funding.
- Some states have funded an “implementation” year before the \$ are driven by performance. Leads to concern about how those \$ are used, audit tracking of \$ to see if used to implement selected strategies.
- Like the concept of a “learning year” when performance is tracked but no \$ are awarded – new idea.

Measurements

- KEEP IT SIMPLE
- Be selective, do not put performance \$ on all your important policy goals, but focus on a goal of high importance.
- Momentum points approach, if kept to a small number of points, can be simple.
- Count each momentum point the same – weighting one point more than another is inconsistent with the Keep it Simple concept.
- Find methods to deal with colleges' differences in their student populations. Measurement against the college's own baseline is best. This means the college is competing against its own past performance. The baseline can be adjusted for enrollment growth or decline if that factor impacts the measures.

Stability of Performance Funding Approach

- Need 4 to 6 years period without changes to allow colleges to make significant improvements. It is important to get a legislative or board commitment that is 4-6 years out.
- Some systems have built in sunset reviews at 4-6 years. Review measures, reset baseline.
- State funding and policy direction change over time, so the performance funding system typically changes over time as well, but a commitment to stability for 4-6 years is important.

College Needs

- Ability to predict how much performance money they can expect year to year. One approach to predictable funding is to fund improvement from a stable baseline.
- Colleges need to be actively engaged in understanding their own data. Without that engagement, the incentives may not result in systemic improvement in student academic achievement.