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EMPLOYING POSTSECONDARY DATA FOR EFFECTIVE STATE FINANCE POLICYMAKING

EXECUTIVE SUMMARY

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Executive Summary

Many states recognize the power of data to inform policy and propel measurable improvements in their postsecondary education systems. States are using data to understand their educational needs, measure and benchmark performance and improvement, set goals and, in particular, tie funding to performance on key metrics. Data-driven policies have gained support from state leaders and policy-makers who are attempting to identify fresh approaches to achieving state goals, including increasing the state's overall educational attainment, meeting the state's workforce demands and ensuring equitable outcomes for state residents from all backgrounds.

In order to answer core questions about a state's postsecondary system and inform the policy development process, policymakers need access to quality data on **state needs, priorities and characteristics**, as well as measures of **access, progression and completion, cost and price**, and **post-college outcomes**. Not all of the measures that states might need are readily available in one data source, but most can be accessed using a combination of sources. To compile quality data on key measures and metrics, states should consider federal and national databases, such as the Integrated Postsecondary Education Data System (commonly called IPEDS) and the National Student Clearinghouse; state longitudinal data systems and state-level data collected by voluntary data initiatives; and institutional data sets.

One particular data-based strategy adopted by several states in recent years is outcomes-based funding. Outcomes-based funding policies are an evolved form of broader performance-funding models and reflect a move away from the traditional enrollment-based formula for appropriating funds to public colleges and universities towards a formula centered on outcomes.¹ States are using a variety of different metrics in their outcomes-based funding formulas, reflective of the diversity of states and the many different ways in which they can measure institutional performance. When developing these formulas, state policymakers should select a combination of measures that complement each other in advancing state priorities, with a concerted focus on equitable outcomes for underserved students. Each state must carefully consider which combination of measures and metrics are most appropriate for their particular context.

States should review these five considerations when crafting or revising an outcomes-based funding policy:

- 1. Leverage but don't rely on national and federal data.** Behind every good policy should be solid, reliable data. States should utilize existing national datasets where possible, but also develop and maintain robust state longitudinal data systems to fill in the gaps where

¹Performance funding" refers to a broad set of policies linking allocation of resources to accomplishment of certain desired objectives. Historically, postsecondary performance funding models were often add-ons or bonuses to base institutional allocations that institutions earned for meeting various goals or benchmarks. Additionally, many of these earlier models included measures focused more on inputs or processes than student progression and outcomes and were not intended to drive increased student completion. Today's outcomes-based funding models similarly seek to motivate and reward progress toward a set of stated goals, but have a direct link to the state's higher-education attainment needs and place primary emphasis on student completion and on narrowing attainment gaps across racial, ethnic, and socioeconomic groups, though they often include measures beyond student progression and completion. Advanced outcomes-based funding models also determine how a significant portion of the state's general budget allocation to institutions is determined.

national data are not available. State leaders have the power to craft their state data systems in ways that will answer the questions that are most relevant to the state.

- 2. Focus on state goals and priorities.** When constructing or refining an outcomes-based funding model, states should remember their overarching goals. Whether their goals are increased overall educational attainment, reduced equity gaps or increased efficiency, states should choose the metrics or measures that are most closely linked to these goals.
- 3. Be mindful of state context.** Every state has its own distinct demographic, economic and political contexts. State leaders should understand which populations are of critical importance to the state's success and make policy decisions that promote the achievement of these priority populations. For instance, an outcomes-based funding policy might reward success in serving low-income students and students of color. States also should understand the ways in which an educated populace will serve state needs.
- 4. Be critical when selecting measures and metrics.** State metrics must match individual state context. Even if some or even many states are using a given metric, it may not be a "good" metric or one that is appropriate for a different state. Furthermore, some metrics and measures may be valuable, but better suited for other policy initiatives aside from outcomes-based funding. States also should work to refine their outcomes-based funding models over time.
- 5. Evaluate the ways in which measures and metrics work together to prevent unintended consequences and drive performance.** States should ensure that the measures and metrics included in outcomes-based funding models are clear, consistently reported and interact in ways that prevent manipulation or unintended consequences. For example, metrics should not encourage institutions to reduce access in a quest for improved completion. States must find ways to use measures and metrics in tandem to ensure that they are driving improved institutional performance.

Though outcomes-based funding policies are gaining popularity across the nation, not all states have chosen to fully embrace the shift. Notwithstanding, there are other ways in which states can use data to inform policy, such as to evaluate performance within the state context, compare across institutions within the state, benchmark to establish state and institutional goals and priorities, and articulate the value of higher education through case building.