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PLACING STUDENT SUCCESS AT THE CENTER OF STATE HIGHER EDUCATION FINANCE POLICY

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Introduction

What does it take to make it successfully through college? For a growing proportion of the nation's students—many of whom are racial and ethnic minorities, from low-income families, or the first in their families to enroll in higher education—the answer encompasses far more than affordable tuition and decent grades. As access to higher education has expanded to embrace these historically underrepresented groups, the formula for student success is increasingly understood to include a mix of programs and incentives tailored to their needs.

Legislators are taking notice. Their primary policy objective in financing higher education was once to increase student enrollments. As their focus shifts beyond enrollment to attainment levels and gaps among underrepresented populations, states are developing outcomes-based funding models, which recognize that underrepresented students may require additional academic, financial, and social support to achieve success, and which allocate funding to institutions as a way to further promote a culture of student progression and success. And much can be learned from the design and effect of earlier efforts to fund institutional performance. Research done by Kevin Dougherty at the Columbia's Teachers College and Center for Community College Research indicates that early models of performance, despite their design and implementation flaws, indicated improvements at the institutional level, such as increased awareness of institutional outcomes and altering academic programs and practices.¹ This included removing barriers to graduation, such as fees or chargers to receive a diploma as well as more formal restructuring of academic programs, and more intensive and integrated student support services. Building on these early efforts, more enhanced and significant outcomes-based funding models, such as those being implemented in Tennessee, Ohio, and Indiana, could accelerate these practices and make them more central to institutional operations and decision-making. These might include early intervention systems for those at risk of dropping out, or advising and mentoring programs for students navigating unfamiliar academic waters, or learning communities that foster support networks among students.

Background

Boosting participation rates in postsecondary education has long been a central goal of policy-makers and educators, and the number of students enrolled in higher education institutions has grown steadily since the post-World War II era. At the same time, the student demographic has shifted dramatically from what it was as recently as a generation ago. The once-stereotypical profile of a college student as a carefree young adult who resides on campus and is subsidized by generous parental support, which may never really have been the norm, is increasingly distant from the reality for the vast majority of Americans enrolled in higher education.

According to the National Center for Education Statistics, nearly three-fourths of all undergraduates are what was once referred to as non-traditional students. They are typically over 25.² Many work part- or full-time, are married or divorced, and have children. They are often grappling with a host of financial strains, including child-care costs, wage cuts and job losses, along with burdensome student loans. These students are especially vulnerable to the derailment of their educational trajectory, as evidenced by new data from the National Student Clearinghouse, which tracked the progress of students who began postsecondary education in the fall of 2008, the start of the recent recession.³

The number of older students increased significantly during this period, as bleak job prospects enhanced the appeal of pursuing a degree. But for many, the choice has not led to successful educational outcomes. Non-traditional students were found to be most likely not to have completed college within six years.

Erica had spent most of her childhood in foster care, and the advice she received from counselors at campus psychological services during her sophomore year at CSF was crucial in helping her remain on track to earning her degree. She never knew her father, an undocumented immigrant from Mexico, and her mother has been in and out of drug rehabilitation. But a mentor she met through a county program for foster children encouraged her to set her sights on higher education, and she won a full scholarship. Despite the absence of financial worries, the transition to college life was difficult for her, and she felt isolated and emotionally overwhelmed before she sought help from campus resources. Now 22 and a senior majoring in human services, she is hoping to pursue a career in law enforcement.

These latest statistics highlight some of the most tenacious challenges in higher education. As participation rates in higher education have increased across social and economic groups and non-traditional students have become the norm, the hurdles to success have multiplied for the students themselves and for the institutions that serve them. As James C. Hearn, associate director of the Institute of Higher Education at the University of Georgia, points out in his examination of the historical context of outcomes-based state funding, national gains in enrollment levels have not been accompanied by similar gains in students' academic progress, program persistence, overall educational attainment, or entry into the labor market.⁴

As recently as 15 years ago, the United States led the world in attainment rates in higher education. It had held that enviable position since the post-World War II era, when college enrollment and graduation rates rose swiftly, fueled by such measures as the GI Bill and the expansion of the community college sector. But while the United States continues to lead the ranks of developed nations in terms of the proportion of its older adult population that is college educated, it has ceded its leadership role in college completion among its younger citizens.

According to statistics from the Organisation for Economic Co-operation and Development (OECD), we are now one of only two developed countries where young people are not better educated than their parents.⁵ And even as our international competitiveness is slipping, disparities at home are becoming more pronounced. Since the mid-1980s, the cost of a college degree has skyrocketed at more than four times the rate of inflation, making the pursuit of higher education increasingly a prerogative of the elite. By the age of 24, young people from families in the bottom quartile of income are seven times less likely to have earned an undergraduate degree than their counterparts from the affluent upper quartile.⁶

These figures starkly illustrate a problem that has persisted for higher education. Too often, students who begin college expecting to graduate within four years fail to achieve that goal. Only a little more than half of full-time undergraduates manage to complete a college degree in six years.

The success rates are worse for community colleges, where just over 30 percent of students finish their associate degree or certificate within three years.⁷

A disturbingly high percentage of those who never complete their degrees are from racial or ethnic minorities or low-income families, or are the first in their families to attend college. While some 60 percent of Asian Americans and 44 percent of white Americans have a college degree, only 28 percent of African Americans, and 20 percent of Hispanics, and Native Americans have completed a degree.⁸ Many students encounter hurdles in their progress toward a degree, but for students of color and other students from historically underrepresented populations, these stumbling blocks too often become insurmountable. Their friends and family members may not be in a position to provide guidance or financial support; external pressures such as jobs and financial debt may compound the difficulties they are facing; and even when their colleges and universities offer extensive support, they may not be aware of how to access those resources.

The imperatives for addressing these unfair educational outcomes are clear. While a high school diploma was once enough of a qualification to secure a high-wage job that could ensure a middle-class lifestyle, the decline of the manufacturing sector's share of the economy has meant that this is no longer the case. More than 60 percent of jobs, including many in professions that were once thought of as "blue-collar," now require at least some post-secondary education or training, up from just 28 percent in 1973.⁹ The individual payoff for greater educational attainment is evident. Studies have shown that people with a bachelor's degree will earn 40 percent more over the course of their lives than their counterparts who earned only high school diplomas. Individuals with an undergraduate degree make \$800,000 more in a lifetime, on average, than those who attended college but failed to graduate.¹⁰

However, it is not simply personal levels of satisfaction and affluence that are at stake. The decline in higher education attainment rates has sobering implications for national prosperity. Unless the United States can find ways to help more students who enroll in higher education to complete their degrees, the nation will fall further behind in key indicators of economic performance and competitiveness, and we will all suffer the consequences.

A Growing Focus on Attainment

In 2009, President Barack Obama set an ambitious goal, challenging the United States to retake the international lead in college completion rates by 2020. In doing so, he helped to galvanize national discussion about how to ensure that more students complete college and attain high-quality degrees and credentials. Indeed, a range of policymakers and educators had already focused on these issues, and the president's higher education agenda complemented initiatives already being spearheaded by major institutions. These include Lumina Foundation's focus on Goal 2025, announced in 2009, of increasing the percentage of working-age Americans with high-quality degrees, certificates and other credentials to 60 percent by 2025.

As recent national trends have made clear, ensuring that more Americans graduate with quality degrees will require far more than enrolling greater numbers of students in colleges and universities. Most fundamentally, it will entail finding new ways of making certain that students who enroll in higher education are adequately supported throughout the duration of their studies, that they succeed in graduating on time, and that they go on to obtain employment in fields related to their degrees.

As discussion and debate have evolved over how best to achieve these objectives, the attention of policymakers and educational reformers has focused on the most powerful tool at the disposal of the states—their financing of public colleges and universities. Through both direct appropriations and, often, their role in setting tuition, states control the main sources of revenue for higher education institutions. Historically, the funding model for colleges and universities was based simply on student enrollment, most typically on the number of students enrolled at the start of each semester. By funding institutions for attracting ever-greater numbers of students, this model helped to push national enrollment rates to historic highs. But as completion rates have fallen despite increasing numbers of students entering higher education, it has become clear that enrollment-based funding does not adequately ensure that enough students receive the support and guidance they need to complete their degrees.

Outcomes-based funding is based on the idea that institutions should be given incentives to do a better job of educating students. While a funding formula based solely on enrollment figures, which does not differentiate between successful and unsuccessful students, does little to foster course and program completion, outcomes-based funding is predicated on this fundamental distinction. With a substantial portion of their revenue based on key metrics such as credit-hour benchmarks and degree completion, institutions funded through outcomes-based models can focus on factors that contribute to student success. They must instead reorient their institutional missions around them.

Derek, a recent summa cum laude graduate of the University of Akron, was an unlikely prospect for academic success a decade ago. His father died when he was in high school, prompting a downward spiral that led to drug addiction, several stints in jail, and periods of homelessness. After successfully completing a drug rehabilitation program, he began working in construction, but when the economic downturn hit in 2008, he was laid off. He then enrolled in community college, earning first an associate degree from Lorain County Community College, an institution that has oriented its entire mission toward student success, and then a bachelor's degree through the University Partnership, a program that allows students at Lorain to pursue four-year degrees from several Ohio universities. The college's career services unit helped him secure an internship with a local manufacturing company that led to a full-time job after graduation. He says the support he received from the college's career and student services, including the guidance provided by student success coaches, allowed him to make the most of what he calls his "second chance." LCCC's efforts to help students like Derek have been further enhanced by Ohio's recent shift to an outcomes-based funding structure for its universities and colleges. The state's funding system now supports and aligns with the student success priorities underway at LCCC.

Outcomes-Based Funding: Incentivizing Student Success

Outcomes-based funding is a relatively new approach to higher education financing based on the idea that colleges and universities should be supported to do more to foster student success. As public funding has become more constrained and attainment rates have fallen, the question of whether higher education is providing appropriate returns on public investment has become increasingly urgent. And as more and more students fail to make timely progress toward a degree, drop out altogether, or do not succeed in finding jobs that leverage their degrees, attention has focused on tools policymakers can use to encourage those outcomes.

As Hearn notes, these models have their origin in what is known as performance-based funding. Performance-based funding models represent an attempt to improve upon the limitations of enrollment-based funding by creating bonuses that institutions can earn for meeting specific goals, such as efficiency and research output targets. Some of the targets in performance-based models overlap and align with the metrics that are commonly used in outcomes-based models, but earlier performance funding was not primarily designed to increase educational attainment. When outcomes-oriented metrics are included, the performance-based incentives are usually add-ons to an institution's main budget and are often subject to elimination during times of budget austerity. Performance funding, which gained traction in the 1980s and enjoyed dominance for nearly two decades, are still the best way of characterizing many states' funding models. By helping to instill a culture of accountability and strongly encouraging a regimen of continual assessment and improvement, performance-based funding models helped to pave the way for the outcomes-based models now supplanting them.

Outcomes-based funding models are increasingly seen as an effective way to foster the efforts of colleges and universities to assist students once they are enrolled and to help them progress toward graduation. Such funding allocation models have been embraced by a growing number of states, with varied levels of investment and design. In contrast with a traditional funding model based on enrollments, or even a model that allocates a portion of funding based on key performance indicators, outcomes-based funding is a comprehensive model in which all or a substantial part of an institution's funding allocation is oriented toward achieving the state's desired outcomes. These outcomes often include improved attainment rates among specific populations such as students of color, student academic progress, gains in student learning, program completion and graduation, and job placement. Although they vary in the detail of their design and implementation, outcomes-based funding systems all establish a direct connection between public funding and the educational attainment needs, goals, and priorities that have been identified and articulated by the state. In his paper examining the relationship between state and institutional finance policies, Steve D. Boilard emphasizes how important it is for outcomes-based financing to be grounded in clear and well-articulated goals and objectives.¹¹

So, for students who are in need of effective developmental education to succeed in college, or who are making insufficient progress toward completing their degrees, or who are struggling to navigate the transition from one institution to another, an outcomes-based system will reinforce the importance of putting mechanisms in place to help ensure they receive the support they need. Measures aimed at students from the most at-risk groups, especially racial and ethnic minorities, might include guidance on registering for courses and choosing academic majors as well as transferring

credits from other institutions. In an outcomes-based funding system, in which the explicit goal is to remove barriers to degree completion and help as many students as possible earn high-quality degrees and credentials, these strategies would be fully integrated into an institution's mission and strategic plan.

At Indiana University-East, the institution has undergone a comprehensive realignment around student success since outcomes-based funding was implemented in Indiana in 2007. The university uses a Responsibility Center Management (RCM) budget model, a system that Linda A. Kosten describes in her upcoming Lumina Issue Series paper as "an effective model for motivating change."¹² Her paper outlines the potential alignment between the incentives created by outcomes-based funding and this budget management tool. Such a model engages deans and other mid-level administrators who are in direct contact with students and faculty members in the responsibility and accountability for revenue generation, as well as the implementation of mission-specific outcomes measures.

At IU-East, says Laurence D. Richards, the university's executive vice chancellor for academic affairs, Responsibility Center Management means that "our schools get to keep the revenue they generate." The schools also are more attuned to losing revenue from the state when students drop out or fail to complete their courses of study. The biggest allocation in the state's funding formula is tied to graduation rates, so "we put resources into those things that help students be successful, because that's what we're rewarded on," he says. In recent years, this has led to the disbanding of a central advising center, which had just four staff members and relied largely on faculty advisors, and the transfer of responsibility for academic advising to individual schools, which hired professional advisers. Faculty members have been relieved of what was for many an unwelcome load, and students have benefitted from greater consistency in advising quality. A new unit, University College, was created and staffed with four coach-counselors who work with new students who have not yet decided on a major, providing career advice and offering other services that don't relate directly to academic matters. The university has also implemented a mandatory first-year orientation for new students and added summer bridge programs.

These enhanced support systems have translated directly into improved student outcomes for IU-East. Graduation rates doubled during the period when the measures were introduced, between fall 2007 and spring 2014. What's more, they have helped to create a new campus culture oriented around the success of students, Richards says. Taking a creative and wide-ranging view of the factors that lead to student success has been essential, he adds. "Our students, almost universally, could do well in the courses that they take. It's the other things that get in the way of their success."

For the kinds of students historically underrepresented in higher education, including those from racial and ethnic minority groups and from low-income families, it is all too often that these "other things" get in the way of their success in higher education. The kinds of resources for students that regional university campuses such as IU-East are increasingly making available under outcomes-based funding often mean the difference between continuing on the path toward a degree and dropping out.

The Basics of OBF Program Design

For outcomes-based funding models to succeed, the policy objectives they are trying to support and help achieve must be clear. Reaching a consensus on what these outcomes, or goals, are and

articulating them forces policymakers to identify and prioritize their expectations for their state's public higher education system. These will, of course, differ from state to state. But according to Jamey Rorison and co-authors at the Institute for Higher Education Policy, a think tank in Washington, D.C., in their upcoming examination of how higher education data are used to set state finance agendas, most policymakers set priorities by addressing questions related to issues of access, progression and completion, cost and price, and post-collegiate outcomes such as employment and admissions to graduate programs.¹³

Measuring college access will reveal which students are enrolling in which institutions and degree programs and whether there are certain populations that are not well served. Monitoring student progression and completion—such as what proportion of students complete degrees at the state's institutions and how completion rates vary by ethnicity, income, gender, and social background—will help determine how the state's students are faring and contributing to the overarching goal of increasing completion. Tracking the state's overall contribution to higher education and how its appropriations have evolved over time relative to student tuition will help clarify fiscal conditions. Finally, measuring outcomes such as the share of students who find employment after graduation and whether graduates are working in industries that meet the state's needs will determine how well aligned an outcomes-based funding model is to state priorities. The metrics and indicators policymakers choose and what they show will vary over time and by state, but asking the questions behind them will serve as a starting point for design.

Each state must evaluate the metrics and indicators it is using and assess how best to apply these metrics to the range of institutions within its higher education system. Especially for states with a wide range of institutional types, it is important that the state's funding model recognizes and supports not just the overall system of higher education but the specific mission of each type of institution within that system, assuming these missions are consistent with the needs and priorities of states and individuals. Moreover, the state model should provide an opportunity for all institutions, through their respective missions to help people earn credentials that lead to further education and employment.

Once the goals of an outcomes-based funding system have been agreed upon and the metrics set with input from higher education stakeholders, the task of reorienting the focus of higher education funding toward student success outcomes begins. Here, too, there is considerable variation, and measures must be tailored to the specific contexts of states. For example, the measures designed to improve the outcomes for students of a state's community colleges will differ from those devised to aid students of its four-year research institutions.

A Diversity of Approaches

Some key components of well-designed outcomes-based funding models is that they are a central part of how state general fund support is allocated to institutions, not a separate add-on that relies exclusively on new money. Further, these models are derived from state attainment and completion goals, aligning the state's investment with needed outcomes for higher education. Such models are now in place in about a half-dozen states and encompass a range of approaches and design features. While focused on student completion, the states that are embracing outcomes-based funding also run the gamut in terms of the specific policy priorities that they are pursuing, the size and institutional diversity of their higher education sectors, and their relative success in terms of attainment outcomes.

That said, the implementation of outcomes-based funding is relatively new, with the first such formula adopted in 2010.

In Tennessee, which led the way, just 36 percent of adults have attained a postsecondary certificate or higher, placing it near the bottom in a national ranking of states. As David L. Wright, chief policy officer of the Tennessee Higher Education Commission, describes in his upcoming overview of his state's use of incentives designed to foster student success, Tennessee conducted a 2009 audit of its policies and practices affecting higher education access, success, and productivity, which is the extent to which public and tuition resources are invested to expand access and increase overall attainment.¹⁴ This audit process helped to identify disconnects in the areas of developmental education, student transfer, outreach to adult learners, tuition policy, student aid and the state's existing funding mechanisms. The results of the audit contributed to the provisions included in the Complete College Tennessee Act, an overhaul of state education policy passed in 2010. Tennessee's governor has incorporated these priorities in his "Drive to 55" policy agenda, which challenges the state to equip 55 percent of adults with a college degree or certificate by 2025. Tennessee's new funding formula represented the first of a new generation of outcomes-based models that drew upon lessons from earlier rounds of performance-based funding while explicitly focusing on motivating colleges and universities to do better at helping students finish their courses of study.

Specific provisions of the legislation were designed to ease students' progress through the higher education system and remove obstacles to their success. The act established common course numbering at the freshman and sophomore levels, for example, in an effort to promote consistency across institutions. It also created a statewide transfer policy, allowing any student who had earned an associate degree to transfer to a four-year institution as a junior, with no loss of credits.

The legislation introduced an outcomes-based funding formula that, in conjunction with additional measures put in place to increase completion, is aimed at boosting the state's share of college educated adults. With limited exceptions, outcomes-based funding determines the state appropriations for community colleges and public universities. Funding allocations to institutions based purely on enrollment have been phased out and replaced by outcomes-based funding tailored to institutional missions and weighted accordingly.

For community colleges, for example, these include metrics related to student academic progress, dual enrollment of high school students in college courses, associate degrees and certificate awards, remedial and developmental education, student transfer from two- to four-year institutions, workforce training, and job placement. Throughout the state system, 3 percent of an institution's funding is tied to students reaching the crucial benchmark of accumulating 24 credit hours. Additionally, a 40 percent premium is incorporated into the formula if the students who meet this milestone are from underrepresented groups. So, if 100 degrees are awarded to students of color, low-income students, or adult learners, they are counted as if 140 degrees have been conferred. This weighting recognizes the need for institutions to be more successful with certain groups of students, and the extra resources that this often requires. The outcomes data are also scaled and weighted to reflect each institution's mission. Thus, a research-intensive university might weight research support more heavily than, say, students' academic progress, which a community college would weight more heavily. Such flexibility, allowing for institutional diversity that's in the interest of students and taxpayers, is an essential component of outcomes-based formulas.

Students in Tennessee have benefitted from a host of measures, such as academic success centers aimed at helping both recent high school graduates who are struggling with the transition to college as well as students further along in their college careers who have begun to fall behind. In addition, students who have lost scholarships tied to their academic performance have been able to tap into bridge loans to tide them over until they are able to boost their performance and regain the scholarships. They also have derived the benefits of academic advising technology that uses predictive analytics to help them with course scheduling and career decisions.

Ailene's experience helping care for her epileptic stepdaughter prompted her to focus on special needs children when she decided in 2013 to pursue an associate degree in early childhood education at Roane State Community College, in Tennessee. Ailene, who is 37, had worked in early childhood education in her native Philippines, but had earned only a high school diploma before emigrating to the United States in 2005. The remedial English class she took this past summer was a necessary step in her progress toward her degree, but she was filled with trepidation at the prospect of her first English class since 1998. She need not have worried. The support she received from her professors and the campus Learning Center helped her stay on track in her progress toward her degree. She expects to graduate summa cum laude in 2016 and hopes to eventually earn a master's degree and return to Roane State as an instructor in the early childhood program. For the college's part, Ailene's successful completion of her degree as an adult learner with remedial deficits will translate into a funding premium.

Experts agree that while it's too early to assess the effectiveness of the state's outcomes-based funding model at increasing attainment, the changes it has ushered in have led to meaningful achievements. Preliminary analysis of the results of an outcomes-based approach to higher education funding has shown significant increases in student completion, although these gains are not on track to meet Tennessee's ambitious long-term target. Overall, the number of undergraduate credentials awarded by the state's public institutions grew by 35.1 percent from 2008-09 through 2012-13, at an annual growth rate of 6.2 percent. Most importantly, perhaps: at the campus level, the outcomes-based approach has helped to foster creativity and innovation centered on student success, degree production, and efficiency. Throughout the system, dialogue has been taking place around these central goals, and strategies have been devised to help achieve them. Although the state's ultimate success in meeting its long-term target is far from assured, the transition to outcomes-based funding has undeniably yielded substantive improvements benefiting Tennessee's students.

California faces a different set of challenges than Tennessee. Overall higher education attainment rates are good, but gaps in academic achievement have persisted among ethnic and racial groups, with African Americans and Latinos doing poorly. California has taken steps toward an outcomes-based funding model, although the process has been less comprehensively orchestrated than Tennessee's and is far from complete. Allocations to the California State University system have been largely delinked from enrollments, and institutions have been directed to freeze tuition and

fees; improve quality, performance, and cost-effectiveness; and boost graduation and transfer rates for students from community colleges to four-year institutions.

In his upcoming case study of California State University-Fullerton, José L. Cruz, the institution's provost and vice president for academic affairs, describes how the campus responded to California's discussion of outcomes-based funding and higher education finance.¹⁵ The student body at Cal State-Fullerton—a diverse commuter campus of 38,000 students at which more than half of the 9,000 students who earn a degree each year are the first in their family to do so—reflects many of the demographic changes that have transformed American higher education. The university ranks first in California and sixth nationally in the number of degrees awarded to Latinos and Latinas.

Skepticism abounded when Fullerton began discussing how to respond to the potential adoption of an outcomes-based model statewide, but even among naysayers, there was acknowledgement the institution had little to lose by giving an outcomes-based approach a fair shake. Under the previous enrollment-based model, Fullerton was the lowest-funded institution in the California State University system. As it became increasingly clear that the state was making the shift toward outcomes-based funding, the Fullerton campus used the opportunity to refocus its priorities.

One of the four main goals of the institution's current five-year strategic plan is to improve student academic progress, increase graduation rates, and narrow the achievement gap for under-represented students. The university has committed to increasing its overall six-year graduation rate, increase the four-year transfer graduation rate, reduce by at least half the current 12 percent gap in making it to graduation between unprepared and better prepared students, and to increase student involvement in high-impact practices intended to increase their odds of success. The entire campus community has been educated about what the shift to an outcomes-based funding model will entail.

Students already have begun to reap some of the benefits of the transformation. The student success dashboard, a real-time tool for tracking and displaying key academic performance indicators for individual students, allows advisers to monitor and track the progress of freshman and transfer students from when they arrive on campus. A 2013 trial of the program led to interventions that resulted in the graduation of more than 250 students who otherwise would have had to delay earning their degrees. Based on the success of that pilot, the campus has hired nine graduation specialists whose main responsibility will be to use the tool to minimize the number of students whose graduation is unnecessarily deferred.

For Dawn, a mother of four who says she never saw herself as “college material,” these efforts included intensive support from the academic advising center when she transferred from community college to California State University-Fullerton, the largest regional public university in California. “My mom was a single mom, and we always had a hard time getting by and making ends meet,” she recalls. “She didn’t discourage me from attending college, but she didn’t make it sound like it was possible.” After the death of her husband in 2008, she enrolled in community college, a decision facilitated by a range of grants and financial aid measures that covered all her expenses. When she transferred to Cal State-Fullerton, her progress faltered at the larger campus, but thanks to the support she received, she was able to navigate changes to her government assistance and financial aid packages, as well as the new academic environment. Cal State-Fullerton has implemented several measures that have been further reinforced by state level conversations to transition state funding to an outcomes-based funding framework. Dawn credits these policies with keeping her enrolled and on track to earn her degree. Now 46, she recently earned her Bachelor of Arts degree in English and secured a teaching position. She is encouraging her two oldest children to pursue higher education.

Concerns

Although the specifics of how institutions have adapted to an outcomes-based funding model vary considerably, the reforms that have been implemented in response to these moves have key elements in common. In general, institutions have begun to spend more on students. This might be in the form of expanding student support services, such as tutoring, academic counseling and guidance. At the same time, as campus discussion has coalesced around how to improve student success, innovative approaches to issues such as student support have gained traction. A well-designed outcomes-based model will create incentives for the entire campus community to achieve these goals.

Of course, as Trey Miller discusses in his upcoming examination of some of the issues that arise when outcomes-based funding models are implemented, there are persistent concerns among some educators that this all-encompassing focus on student success comes at the expense of quality.¹⁶ Especially at research institutions, where greater investment in students may mean less funding for research, some faculty members worry that the transition to outcomes-based funding will bring grade inflation, a drop in student learning, and a decline in research quality. There is also resistance in some quarters to what is seen as an encroachment on the historic autonomy of state higher education systems and institutions, as state lawmakers focus their attention ever more closely on campus operations and program design.

Because the success of outcomes-based funding models depends entirely on their design and the choice of metrics used, a well-designed model can avoid these pitfalls. Measures to track quality outcomes can be built into outcomes-based models, helping to ensure that corrective steps can be taken to ensure quality if standards begin drop. Deciding which metrics to use is essential, and institutional leaders and campus stakeholders must be engaged in every aspect of the design of funding models in order to mitigate against concerns about outcomes-based funding being perceived as something being imposed on an institution.

Some of the consequences of enrollment-based funding models offer cautionary lessons to the designers of outcomes-based models about the importance of selecting appropriate metrics and ensuring effective design. While an unrelenting focus on boosting enrollment figures did much to achieve the laudable goal of expanding access, it also fostered policies that ended up compromising student success as access to college broadened and less prepared students sought to gain the social and economic mobility a college education can provide. For example, increasing the numbers of credits needed to earn degrees has, over time, deterred program completion. Enrollment policies that allow students to start classes after the beginning of the semester also have undermined academic success. The design of enrollment-based models often proved insensitive to changing circumstances, according to Hearn, including shifts in markets, missions, and environments. Such inflexibility is, of course, not an inherent attribute of enrollment-based systems, but is a potential weakness of any funding model, including outcomes-based models.

Another paper within this Lumina paper series examines key aspects of stakeholder engagement crucial to the implementation of outcomes-based funding. Public Agenda identifies three obstacles to success.¹⁷ The first is a failure on the part of stakeholders, including faculty, staff, and administrators at higher education institutions, to grasp the connection between financial incentives and student success, despite the centrality of this principle to outcomes-based models. Second, those same institutional stakeholders are often worried that outcomes-based funding will produce negative consequences for students and states, such as lower academic standards and the elimination of programs that take longer to complete. Finally, stakeholders worry that their institutions lack the resources necessary to design and implement effective outcomes-based models. To address these challenges, Public Agenda emphasizes the need for effective communication and engagement among policymakers and academic leaders throughout the implementation process.

Complicating matters, of course, is that the higher education landscape is shifting quickly, and in such a fluid environment, the need for effective communication and transparency is more essential than ever. Even as a growing number of states tackle the problem of fostering student success in higher education and beyond through outcomes-based funding models, the federal government is taking a more active role in setting higher education policy. Initiatives like the much-debated ratings system for colleges and, more recently, President Obama's proposal to make community college free for millions of students—largely from the underserved student populations that outcomes-based funding is designed to benefit—could further transform the dynamics of higher education.

For students like Dawn, Derek, Erica, Ailene, and millions of others like them, the policy debates and institutional decision-making are translating into concrete and measurable gains. Attending college was never something they took for granted, and each of them has faced daunting hurdles in their progress toward earning a degree. The benefits they have derived from innovative programs and enhanced student support services have meant the difference between completing college successfully, with the myriad personal and professional advantages that flow as a result, and becoming one of the unacceptably high percentage of students who fail to complete the degrees they set out to earn when they enrolled. The challenge for government officials, policy makers, educators and administrators is how to ensure that their stories become commonplace examples of how students from diverse and disadvantaged backgrounds can make it successfully through college and earn degrees that will translate into enhanced career prospects and better lives.

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