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ABSTRACT

The 1990s brought a new notion of accountability for public colleges and universities. The goal shifted from accounting for expenditures to accounting for results. Academics, who were now expected to set goals and evaluate results while cutting costs, opposed the application of this model to academia. Public higher education had adopted Austin's Resource and Reputation Model, which states that quality comes from the quantity of campus resources, the quality of admitted students, and the reputation of faculty research. The resistance to focusing on institutional results led to criticisms by business and government, and the states stepped in. The six regional accrediting agencies made assessing student outcomes a requirement for accreditation. Performance reporting added meeting state needs to the earlier assessment practices. Reporting these results also had the tacit goal of increasing state funding, at least for campus leaders. By 2000, 30 states had performance reports; yet 49% of State Higher Education Finance Officers say that accountability reporting has had little or no effect on institutional performance. Nearly 90% of senior officers say they are familiar with performance funding programs, while over 60% of chairs report little or no familiarity, which is a possible explanation for the lack of impact of the programs. (Contains 17 tables and 16 references.) (NB)

ACCOUNTABILITY, REPORTING, AND PERFORMANCE: WHY HAVEN'T THEY MADE MORE DIFFERENCE?*

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Keynote Address
39th Annual Conference
Research and Planning Group for California Community Colleges
May 3, 2001

Introduction

It takes courage to give a Keynote Address on accountability, reporting, and performance to institutional researchers from California's community colleges. You have the unenviable task of collecting and analyzing the campus data mandated by state policies for performance reporting, budgeting, and funding. Your work does not make you popular on campus, for one of Burke's Laws states that the interests of professors in assessing performance is in direct proportion to the distance from their campuses and their departments. My task today puts me in the plight of Niccolo Machiavelli on his deathbed. Priests surrounded the notorious author of *The Prince* urging him to recant and renounce his writings. With his last drying breath, Machiavelli muttered: "Now is not the time to make new enemies."

Like Machiavelli, I have written too much for too long on the necessity of reporting and rewarding the results of public colleges and universities to alter my views. It is hard say anything on this heated topic without alienating either campus or state leaders. It seems impossible to say anything sensible on this subject without alienating both groups. Despite these difficulties, I want to explore today a series of questions. What is the reason for the recent demands for accountability from public higher education? Why have performance programs become so popular in state capitals and so controversial on public campuses? How effective has performance reporting, budgeting, and funding been in improving campus performance. What changes could make performance policies more meaningful to professors? And why are these policies tailored to the mission of community colleges?

* Study supported by the Ford Foundation and the Pew Charitable Trusts

The New Accountability

The 1990s brought a new notion of accountability for public colleges and universities. The goal shifted from accounting for expenditures to accounting for results. Public higher education had become too important and too costly to states to ignore campus results. The shift gained momentum from the movements to reengineer business and reinvent government (Osborne & Gabler 1992; Hammer & Champy 1993). They preached a novel gospel for business and a new heresy for government and higher education. Their creed proclaimed that all organizations not only could, but also must, improve quality while cutting costs. Institutions could demonstrate accountability while decentralizing authority by being tight on setting goals and assessing results but loose on the means of achieving their objectives. These theories suited the times. Success in the new information era demanded autonomy to encourage the creativity and ingenuity of knowledge workers, but it also required direction as well as decentralization. Managing, measuring, and rewarding results became the new trinity. Like all creeds, it proved easier to proclaim than to practice.

The Campus Reaction

Although academics conceived many of these management theories, a common reaction on campus called them all right for business, and maybe for government, but anathema for academe. Outsiders could have predicted that the accent on efficiency would arouse opposition on campus, but few would have guessed that the focus on quality would prove a greater obstacle. Colleges had declared "Quality Job One" centuries before Ford. Unfortunately, the academic community never determined nor defined with any precision the objectives of undergraduate education nor developed systematic methods for assessing campus performance. Quality in higher education is an elusive and subjective attribute that is seldom easy to evaluate objectively and always difficult to measure quantitatively. In addition, higher education is a complex enterprise with multiple goals, delivered by different types of institutions pursuing diverse missions and educating students with a broad range of natural abilities and academic preparations.

By default and perhaps preference, the perception of institutional quality depends largely on what Alexander Astin (1985) labeled the Resource and Reputation Model. Quality comes from the quantity of campus resources, the quality of admitted students, and the reputation of faculty research. This Model -- based entirely on inputs of funding, students, and faculty -- says nothing about the quality or quantity of the services provided to students, states, and society. Quality products from

colleges, like quality outputs from computers, depend mostly on good in, good out.

Though the diversity of American higher education is a wonder of the world -- with its marvelous mix of community and technical colleges, liberal arts and specialized campuses, and comprehensive and research universities -- at home, the Research and Reputation model confers the hallmark of excellence only on large, graduate, research universities and small, selective, liberal arts colleges. This model condemns most colleges and universities, and especially community colleges, to perpetual inferiority. Student selectivity, big budgets, faculty research, and graduate education are the characteristics that count.

External Criticism

The resistance of higher education – especially research universities – to focus on institutional results led to mounting criticism in state capitals and the business community. Critics complained about the quality and quantity of faculty teaching and student learning, the preoccupation with graduate studies and research and neglect of undergraduate education, the encouragement of mission creep and program sprawl, and the bourgeoning of administrative positions and support staffs. They condemned higher education for its failure to constrain costs and tuition and for its reluctance to reform and restructure like business and industry. Although the criticism hit mostly at research universities, the fallout also covered community colleges.

Antagonists accused colleges and universities of admitting too many unqualified students, of devoting too much time to correcting their deficiencies, of graduating too few of the students admitted, and of permitting too many to take too long to degrees. At the same time, they blamed public campuses for not educating more of the population. Most of all, critics claimed that increasing numbers of alumni lacked the knowledge and skills required for successful careers and meaningful lives in a knowledge and information society. After the move of health care to managed care, external critics frequently saw higher education as the last refuge of a provider-driven enterprise, designed more to satisfy the aspirations of administrators and faculty than the needs of students and society. Although friends of higher education quarreled with some of the particulars, many thought the academy guilty on most of the indictment (Wingspread Group 1993).

The Assessment Movement

As so often happens when the academic community seems reluctant to deal with perceived problems, the states step in. In the middle to late 1980s, Governor's, legislatures, and coordinating boards mandated assessment policies for public colleges and universities in two-thirds of the states. This first step seemed soft, for states responded to

institutional resistance by leaving the details to campus determination. The six regional accrediting agencies followed by making assessing student outcomes a requirement for accreditation (Nettles et al. 1997). Assessment asked colleges and universities to identify the knowledge and skills their graduates should possess, to develop methods for measuring achievement of these goals, and to use the results to improve institutional performance. It promoted a new notion of institutional quality based on results not resources, on performance not prestige. This concept of quality seemed tailored to the traditional mission of community colleges, which were created to meet the needs of their communities and their citizens. Assessment also appeared to promise a marriage between the unlikely mates of external accountability and institutional improvement. Improving student learning from entry to graduation signaled success in the new accountability for results and in responsiveness to societal needs (Burke 1999).

Assessment spread swiftly across the county, but its impact on campus rarely ran deep. By 1993 *Campus Trends* reported, "fully 97 percent of institutions had some type of assessment activity..." (El-Khaws, 17). But 55 percent of the community colleges and 42 percent of public baccalaureate campuses admitted having only limited activities. A few colleges made assessment the centerpiece of their culture, but in most institutions it remained a cottage industry. Exciting practices flourished in a hundred places on campus, while the institution plodded it traditional path. Decentralization and autonomy on campus smile on individual innovations but stifle institutional reforms. Assessment had ardent advocates but little campus acceptance. All too often, a tacit bargain exists among professors. "You can do anything you like, just don't ask me, my department, or my institution to do it" (Burke 1999). The failure of assessment to achieve accountability led states to adopt performance policies with teeth.

Performance Reports

If the assessment mandates represented decentralization with little direction, performance reporting – begun mostly in the 1990s -- added direction as a price of decentralization. The purposes of performance reporting, like assessment, included improving institutional performance and demonstrating external accountability, but the new policy added meeting state needs, especially in economic development. Reporting results also had the tacit goal of increasing state funding, at least for campus leaders. In contrast to the assessment policies, performance reporting generally required comparability among campuses, although the reports urged comparisons only among the same types of institutions. The policies often required all public colleges or universities

– whatever their type or mission – to report on a common list of statewide indicators.

A 1997 Survey from the State Higher Education Executive Officers identified the most common performance indicators with the number of states that used them (Christal 1997).

Table 1: Reporting Indicators and States Adopting Them

Indicators	States
Retention/Graduation rates	32*
Transfer rates	25*
Faculty workload	24
Satisfaction surveys	23
Sponsored research funds	23
Remediation activities/effectiveness	21
Pass rates on licensure exams	21
Degrees awarded	20*
Job Placements	19
Admission standards	18*
Number and percent of accredited programs	13

Other common indicators

Enrollment Trends*
K-16 collaboration
Racial diversity of students, faculty, and staff *
Time-to-degree*
Tuition and fees*
(* Notes the indicators in the California Performance Report)

The reports concentrate on undergraduate education, which constituted the major concern of external critics. Conventional and easy-to-capture input indicators, such as enrollment trends, high school averages, and standardized test scores of first-time students appear in most reports. Although they often include common process indicators, such as student/faculty ratios and faculty workloads, most also contain more controversial and complex output and outcome measures. Performance reports present retention and graduation rates and time-to-degrees; results from satisfaction surveys of students and alumni; job placement statistics; program accreditation; and licensure test scores. Additionally, the growing interest in state priorities explains the inclusion of items related to economic development, such as the number and type of graduates and the size of sponsored research. Indicators on articulation between K-12 and higher education and on transfers between two- and four-year campuses suggest heightened concern with

the connection between all levels of education.

Most of the reports present trends in institutional performance over time and often show comparisons with peer institutions, both in and out of state. Some Reports -- such as California's -- present only data by institutional sectors rather than by individual campuses. A growing number of the reports allow institutions to select an indicator or two related to their specific missions. Despite these precautions, campus leaders fear that state officials and the popular media will make unfair comparisons and misuse the results by failing to recognize differences of institutional types and missions.

Some critics from campus claim that each college or university is so different that it must have only unique indicators. This claim seems hard to sustain, since colleges and universities award the same degrees. Some academics also see external insistence on performance reporting as an invasion of institutional autonomy. They forget that the only institutions that are truly autonomous are those that fully self-supporting. No college or university – I know -- deserves or desires that designation.

By 2000, 30 states had performance reports. Although the spread of accountability reporting appears clear – the use of its results by state and campus policy makers remains cloudy (Burke, Rosin, Minassians, and Lessard 2000). An officer of the New Mexico Commission on Higher Education lamented in 1993: We...put together a report which we thought would provide more useful information. So far, we've had the same reaction to the latest report that we had to the first two reports, which was silence." *The Chronicle of Higher Education* commented: "The lack of response makes some people wonder what's the point of it all" (Mercer, 1993).

A survey we did last year asked State Higher Education Finance Officers (SHEFOs) to estimate the extent that accountability reporting has improved the performance of public colleges and universities in their state. The replies reveal a limited impact on institutional performance in most states, with 49 percent saying little or no effect, and 38 percent claiming considerable or some effect. The rest could not assess the impact. The Finance Officer from California thought its report had little effect on performance.

Table 2: Impact Performance Reporting on Campus Performance

	Percent Responded	States with Performance Reporting
Great Extent		
Considerable Extent	17.2%	Kentucky, Louisiana, Missouri, Oregon, West Virginia
Some Extent	20.7%	Illinois, Maryland, Mississippi, New Jersey, South Dakota, Wisconsin
Little Extent	37.9%	Alabama, California, Florida, Hawaii, Idaho, Massachusetts, New Mexico, Rhode Island, South Carolina, Texas, Utah
No Extent	6.9%	Arizona, Washington
Cannot Assess	17.2%	Colorado, Connecticut, North Dakota, Ohio, Tennessee, Wyoming

Our study of scores on the state-by-state report card, issued by the National Center for Public Policy and Higher Education, suggests that states with performance reporting received no better grades than those without this policy (2000). Many states with performance reports did poorly on the report cards, in part, because they did not contain critical indicators reflecting state needs, such as adult degree attainment, college going rates, high school performance, college cost as a percent of family income, and the state's economic and civic benefits from higher education. But California, which includes those measures in its Report, did fairly well, with a B average. Of course, the existence or absence of performance reports did not cause the grades. Pat Callan, President of the National Center, claimed that differences depended mostly on "geography, income, wealth, and ethnicity (Selingo 2000).

Table 3: California's Grades

Preparation	C-
Participation	B+
Affordability	A
Completion	C
Benefits	B+

The lack of fiscal consequences helps to explain the neglect of the performance reports by state and campus policy makers. Policies not connected to budgets get little attention in state capitals or on college campuses. The move from reporting to budgeting for performance seemed logical. It is hard to imagine that state and system officials would have reports on the accomplishments of colleges and universities and then totally ignore them when allocating scarce resources.

Progressing from reporting to funding seemed a short step to state policy makers but a momentous move to campus leaders.

Traditional Budgeting

States traditionally budgeted public colleges and universities based largely on current costs, student enrollments, and inflationary increases (McKeown 1996). These input, or resource factors, ignored the quantity and quality of graduates and the range and benefits of services to states and society. This cost-plus budgeting also promoted inappropriate growth in expenditures, enrollments, and programs, even in states with declining demographics and decreasing student demands. Some states in the 1980s did recognize institutional performance. They provided front-end funding to encourage desired campus activities in research and programs that encouraged economic development. Florida, New Jersey, and Ohio adopted this approach to create centers of excellence in their colleges and universities. They dropped nearly all of these initiatives during the recession and the reduction in state funding for higher education in the early 1990s.

State funding for performance differs from these earlier efforts by allocating resources for *achieved* rather than *promised* results. This practice shifts somewhat the budget question from what states should do for their campuses toward what campuses do for their states and their students. The shift is slight in all states, since the sums allocated to performance remain relatively small, from less than one to about five percent of state operating support. Whatever the future of using campus performance in budgeting, the workload measures of current costs, student enrollments, and inflationary increases will -- and should -- receive the lion's share of state allocations. The real issue is whether performance should count for something in state funding and whether it could make a difference.

Performance Funding and Performance Budgeting

Using performance in state allocations for public colleges and universities takes two different forms. The two approaches are sometimes confused, because of common characteristics, despite distinct differences (Burke and Serban 1998). **[Slide 5]**

Performance funding ties tightly specific allocations to institutional results on each of the designated indicators. The tie is automatic and formulaic. If a campus achieves a set target on its graduation rate, it receives a specific amount of performance money. Performance funding focuses on budget distribution.

Performance budgeting allows governors and legislators or coordinating or system boards to consider campus performance on the indicators collectively as merely one factor in determining the total allocation for an institution. The link is loose and discretionary. This approach usually concentrates on budget preparation and presentation, and slights, or even ignores, budget distribution.

The advantages and disadvantages of each of these approaches are the reverse of the other. In performance funding, the tie between results and resources is clear but inflexible. In performance budgeting, the link is flexible but unclear.

The visible relation of resources to results in performance funding provides a tangible incentive for institutions to improve performance. On the other hand, this automatic link to funding may punish campuses in cases where performance falls because of circumstances beyond their control. The tight tie of funding to each indicator and the small sums usually allocated to performance funding also limit the number of indicators, since too many measures would trivialize important objectives with trifling sums. This restriction excludes many of the critical objectives of colleges and universities.

In performance budgeting, the loose link of funding to results gives state governments or coordinating or system boards discretion over allocations based on performance, which allows consideration of campus circumstances. The absence of a direct tie of funding to each indicator also permits the use of a longer list of performance measures, which can include more of the many objectives of higher education. Using more measures in performance budgeting diminishes the impact of problems of validity and reliability with individual indicators, as opposed to performance funding where every measure counts for money. On the downside, the loose link of resources to results in performance budgeting reduces the incentive for institutions to improve performance.

The growing popularity of linking state budgeting and funding to the performance of public campuses is unmistakable. Twenty-eight States (56%) now have performance budgeting; and 17 (34%], performance funding. Ten states have both programs, including California. Four years ago when our Surveys began, less than half of the states had one of these programs. Now, nearly three quarters of them link in some way state resources to campus results.

Table 6: States with Performance Budgeting

Surveys	Number (Percentage)	States
First April, 1997	16 states (32%)	Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Mississippi, Nebraska, North Carolina, Oklahoma, Rhode Island, Texas, West Virginia
Fourth June, 2000	28 states (56%)	Alabama, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Oklahoma, Oregon, Texas, Utah, Virginia, Wisconsin

Table 7: Performance Funding 1997-2000

Surveys	Number (Percentage)	States
First April, 1997	10 states (20%)	Colorado, Connecticut, Florida, Kentucky, Minnesota, Missouri, Ohio, South Carolina, Tennessee, Washington
Fourth June, 2000	17 states (34%)	California*, Colorado, Connecticut, Florida, Illinois*, Kansas, Louisiana, Missouri, New Jersey, New York**, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas

* 2-year colleges only
** State University of New York System

Impact on Performance

The bottom-line in assessing both performance funding and budgeting is the extent to which each has improved institutional performance. A realistic assessment is still premature, since nearly all of these programs are products of the mid to late 1990s, and most have been implemented for only a few years. Not surprisingly, nearly half of the Finance Officers in our 2000 survey say it is too early to evaluate the effect performance funding on institutional improvement, including the one from California. But 35 percent claim that the program has improved performance to a great or considerable extent. They cite great extent in South Carolina and Tennessee and considerable extent in Connecticut, Missouri, Ohio and Oklahoma. Respondents indicate some extent in South Dakota and little extent in Florida and Texas. None said no extent.

Table 8: To what extent has Performance Funding improved performance?

	Percent	States with Performance Funding
Great Extent	11.8%	South Carolina, Tennessee
Considerable Extent	23.5%	Connecticut, Missouri, Ohio, Oklahoma
Some Extent	5.9%	South Dakota
Little Extent	11.8%	Florida, Texas
No Extent		
Cannot Assess	47.1%	California, Colorado, Illinois, Kansas, Louisiana, New Jersey, New York, Pennsylvania

Program duration and funding levels clearly affect these estimates. Tennessee, Missouri, South Carolina, and Ohio have had programs for some time and have supported them with considerable funding. Although Florida's effort has existed for five years, its university sector has received scant funding in the last few budgets, although its two-year sector has a large funded program in workforce development. (Florida has now abandoned performance funding for its university sector.) Even respondents from states that give low ratings on the effect on improvement say that performance funding has caused campus leaders to concentrate more on institutional performance on the program objectives.

Although performance budgeting has a somewhat longer history, still 32 percent of the finance officers considered it too early to assess its impact. No program gets a rating of great extent. Respondents believe performance budgeting has improved campus performance to a considerable extent in 18 percent, and to some extent in seven percent of the programs. However, they think it has had little effect in 36 percent of the states, and no effect in 7 percent. All of the programs cited as having considerable or some effect on campus performance also had coordinating or system boards that consider performance in campus allocation. The effect on improved performance appears to depend on fiscal consequences, which is the rationale for both performance budgeting and performance funding. The loose link of performance to allocation in performance budgeting, as opposed to the tight tie in performance funding, seems to explain why the former appears to have a lesser impact on performance.

Table 9: To what extent has Performance Budgeting improved the performance?

	Percent Responded	States with Performance Budgeting
Great Extent		
Considerable Extent	17.9%	Missouri, Oklahoma, Oregon, Virginia, Wisconsin
Some Extent	7.1%	Idaho, North Carolina
Little Extent	35.7%	Hawaii, Massachusetts, Mississippi, Nebraska, Nevada, New Jersey, New Mexico, Texas, Utah
No Extent	7.1%	Georgia, Kansas
Cannot Assess	32.1%	Alabama, California, Connecticut, Florida, Illinois, Iowa, Maine, Maryland, Michigan

The survey suggests that it is still too soon to assess their effect, given the short history of both programs. It does show that the performance funding has more effect than performance budgeting and that the impact of both approaches increases in relation to the clarity and the level of the fiscal consequences. On the other hand, too much funding can have the detrimental effect of producing budget instability. The early effort in South Carolina to base all funding on performance presents a classic example of this flaw.

Five State Survey on Performance Funding

Last year, we surveyed the presidents, vice presidents, academic deans, and department chairs from all two-and four-year public colleges and universities in Florida, Missouri, Ohio, South Carolina, and Tennessee. The replies from nearly 2000 campus leaders – a response rate of 45 percent – afford a closer look at the attitudes toward performance funding and its impact on public colleges and universities (Burke and Lessard, forthcoming).

The results counter the common complaint in state capitals that campus leaders reject performance as a component in state budgeting for public colleges and universities. The Survey asked campus representatives to rate the "importance" of major factors in state budgeting for public higher education. Campus leaders consider all these factors important, but with decided preferences. They place *inflation and salary increases* first in importance, but see *campus performance* second and *current cost* third. Other factors receive less support, with *new programs* fourth, *enrollment levels* fifth, and *special initiatives* sixth.

Table 10: Budget Factors

	Two-Year Important	Four-Year Important
Inflationary & Salary Increases	87.5%	87.9%
Campus Performance	81.7%	83.0%
Current Costs	81.7%	81.8%
New Programs	81.7%	71.6%
Enrollment Levels	71.7%	69.0%
Special Initiatives	68.4%	66.0%

Four-year respondents rate campus performance second, while it ties with current costs and new programs for that place in rankings by representatives of two-year institutions. Senior administrators favor new programs slightly more than campus performance, while chairs and especially deans see the latter as more important. Campus leaders clearly concede the importance of performance in state budgeting in theory, but -- as their responses to later questions reveal -- they quarrel with performance funding as practiced in their state.

Indicator Preferences

Overall, a majority of the respondents consider appropriate all of the indicators frequently found in performance funding programs, except *time-to degree.* The division between the indicators favored by campus leaders and those prized by government officials demonstrates the differences between academic concerns and capital desires. Some of the indicators thought least appropriate on campus are those most desired in state capitals. Governors and legislators push for *undergraduate access, K-12 linkage, two to four year transfers, faculty workloads, new student preparations, standardized tests,* and *time to degree.* Unfortunately, low rankings of indicators on *diversity of students, faculty, and staff* appear on campus as well as in state capitols.

Table 11: Performance Funding Indicators

Ranked by Mean Scores	Two-Year Rank	Four-Year Rank
1. Accredited Programs	3	1
2. Professional Licensure exams	4	3
3. External Peer Review	9	2
4. Employer Satisfaction Surveys	1	7
5. Graduate Job Placement	2	6
6. Alumni Satisfaction Survey	7	5
7. Retention/Graduation Rates	8	4
8. Student Satisfaction Surveys	5	9
9. Undergraduate Access	6	11
10. Administrative Size/Cost	10	8
11. Faculty Workload	14	10
12. New Student Preparation	12	12
13. K-12 Linkage	11	16
14. Diversity of Students	16	13
15. Standardized Test Scores	15	14
16. Diversity of Faculty/Staff	17	15
17. Two to Four Year Transfers	13	18
18. Time to Degree	18	17

The ratings refute the common contention of a conflict on indicators between leaders of two and four-year campuses. Those from both sectors jointly favor nine of their top ten indicators. They also share low ratings of four measures: *time to degree*, *diversity of faculty/staff*, *standardized test scores*, and – astonishingly for community colleges -- *two to four year transfers*. Slightly less than half of the respondents from four-year institutions and just a bare majority of those from two-year colleges favor the transfer indicator. Although respondents from both sectors share more preferences than expected, those from four-year units show greater preferences for retention/graduation rates and external peer reviews, while those from two-year colleges support more job placement, student access, and satisfaction surveys of employer and students.

Campus Use of Performance Results

The Survey asks respondents to assess the use of performance results for decisions in nine campus activities often targeted in performance funding. Overall, leaders cite moderate rather than extensive use in all areas, except *faculty workload*, which gets only minimal use. They claim *institutional planning* receives the most use, followed by *student outcomes assessment*, and -- surprisingly -- by internal budget *allocation*. Most experts think that that internal budgeting for schools and departments usually ignores performance in

favor of the traditional factors of student enrolments and faculty salaries. Authors of case studies for the five states in a book we are publishing on performance funding confirm this conclusion

Averages for two-year colleges suggest significantly more use of performance results than those from four-year campuses. This result possibly reflects more administrative than faculty control of campus activities in community and technical colleges. Leaders of two-year institutions rate the use of performance results in institutional planning as extensive and even claim moderate use in faculty workload. Admissions is an expected exception. They place *curriculum and planning second, student outcomes assessment* third, and *internal budget allocations* fourth. Overall, senior campus officers perceive more use of performance results than deans and chairs. On the other hand, deans see less use than chairs in internal budgeting.

Table 12: Use of Performance Results

	Two-Year Mean Scores	Four-Year Mean Scores
Academic Advising	3.24	3.66
Administrative Services	3.09	3.54
Admissions	3.36	3.28
Curriculum & Planning	2.77	3.32
Faculty Workload	3.48	3.58
Institutional Planning	2.46	2.80
Internal Budget Allocations	2.95	3.12
Student Outcomes Assessment	2.79	3.13
Student Services	3.20	3.55

* Scale: 1 Very extensively, 2 Extensively, 3 Moderately, 4 Minimally, 5 Not at all

Purposes of Performance Funding

Contrary to popular impressions, campus leaders appear to accept all of the purposes of performance funding -- including external accountability, but, again, they have decided preferences. They clearly favor *institutional improvement*, followed closely by *increased state funding*. Respondents see *meeting state needs* as trailing in third place and view *external accountability* as a distant fourth purpose. Campus leaders in all positions and both sectors endorse this overall order of preference. Most of the state replies repeat this ranking. However, those from South Carolina rate increased states funding even above institutional improvement; and Tennessee places external accountability before meeting state needs.

A follow up question asks whether the program in their state achieved these purposes. Only achievement of *external accountability* – the least preferred purpose – wins agreement from a majority of the total respondents. About a third believe that the program improved *institutional performance* and *responsiveness to state needs*, but just 15 percent think that it *increased state funding*. The highest rates of agreement in all the states come on accountability, which campus leaders view as a less preferred purpose. On their favorite items, agreement is far less than desired on improving institutional performance, and nearly disappears on increasing state funding for public higher education. This pattern remains consistent for positions and sectors.

The high value placed on increasing state funding and the low rating of its achievement may explain some of the negative assessments of performance funding. Actual state appropriations dashed the hope of increased funding in most of the study states (Palmer, Hines, and Reed 1999). Only Florida (64%) and Missouri (45%) experienced increases in state appropriations over the last five years that exceed the national average of 32 percent. Ohio (31%) fell just short of that average. South Carolina averaged only 25 percent and Tennessee just 9 percent. Only 12 percent of replies from Florida and 30 percent from Missouri agree that the program increased overall state funding. Reactions by states to the achievement of the goal of increased state funding suggests that performance funding got the blame for scant increases and no credit for improved appropriations.

Impact on Campus Performance

Respondents say that performance funding has only a minimal impact on most of the goals often designated in performance funding plans. They believe that performance funding has a moderate impact only on *mission focus* and *administrative efficiency*. Significantly, performance funding is viewed as having the most impact on objectives largely controlled by senior administrators and a minimal effect on outcomes depending on faculty activities. (*Inter-institutional cooperation* -- which senior officers also control -- did receive only a minimal rating, but this objective is generally not a favorite goal of top administrators.) Responses from both sectors and all positions give moderate rankings only to mission focus and administrative efficiency, except that business officers include only mission focus in that category.

Although mission focus and administrative efficiency constitute important objectives, they hardly represent the only desired goals. State

officials and the general public are also concerned about *faculty performance, faculty-student interaction, job placements,* and the *quantity and quality of student learning.*

Table 13: Impact of Performance Funding on Campus Functions

	Very High	High	Moderate	Minimal	No Effect	Total
Administrative Efficiency	5.0%	15.3%	29.1%	28.4%	22.2%	100%
Faculty Performance	3.2%	10.3%	29.5%	31.7%	25.2%	100%
Faculty-Student Interaction	2.0%	8.1%	22.8%	30.9%	36.2%	100%
Graduate' Further Education	1.5%	5.7%	1 7.0%	28.8%	47.0%	100%
Graduates' Job Placement	2.7%	7.7%	16.9%	26.6%	46.1%	100%
Inter-Institutional Cooperation	2.3%	8.0%	24.8%	31.4%	33.6%	100%
Mission Focus	7.6%	21.0%	32.4%	20.5%	18.5%	100%
Quality & Quantity of Student Learning	4.3%	12.8%	25.5%	29.3%	28.1%	100%
Research Funding	3.7%	8.3%	18.7%	19.3%	49.9%	100%

Program Future

Despite their critical critique of the use and impact of performance funding, respondents from all positions, both sectors, and every state consider performance funding as likely to continue. Seventy-one percent of the respondents from both two and four-year institutions say they consider continuation likely. Occupants of all positions overwhelmingly endorsed this prediction, although senior officers are more positive than deans and chairs. Clearly, the belief in continuation comes from support in state capitals rather than from campus preference, since campus leaders seem critical of the program and doubtful of its use in campus activities and its impact on institutional objectives.

Table 14: Program Future by the Type of Institution

	Likely	Uncertain	Unlikely
Two-Year	70.5%	26.6%	2.9%
Four-Year	71.1%	27.1%	1.7%

Lack of Familiarity

The failure of performance funding to have more impact on campuses may well result from a lack of familiarity with the program and its results by academic deans and department chairs -- those most responsible for performance on campus. Survey respondents certainly had the opportunity to become familiar with the performance funding in their states. Nearly half held their positions for seven year or more, and two-thirds for at least four. Despite this longevity, they appear less familiar with performance funding than expected. Only half of the total respondents claim they are "very familiar" or "familiar" with the program in their state, although overall those from two-year campuses seem more aware than their four-year counterparts. Lack of familiarity appears even in South Carolina with its controversial program and in Tennessee, which started performance funding officially the late 1970s. Controversy and longevity clearly affected familiarity but not nearly as much as anticipated. State responses vary widely on familiarity, from highest in South Carolina to the lowest in Ohio.

Table 15: Familiarity with Performance Funding by State
Very Familiar/Familiar

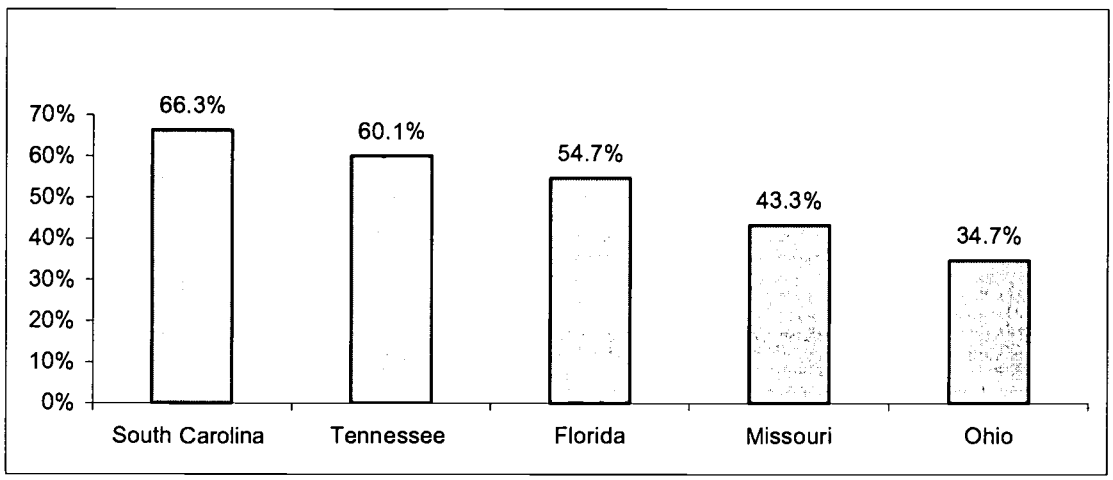

Table 16: Familiarity With Performance Funding

	Very Familiar	Familiar	Somewhat Familiar	Slightly Familiar	Not At All Familiar	
Two-Year	23.8%	33.8%	25.9%	11.3%	5.2%	100.0%
Four-Year	16.5%	29.0%	28.5%	17.4%	8.6%	100.0%

Performance funding becomes increasingly invisible on campus below presidents and vice presidents. Nearly 90 percent of the senior officers say they are familiar with the program, but over 40 percent of the deans and over 60 percent of the chairs admit little or no familiarity. Even in South Carolina, more than a quarter of the deans and nearly 40 percent of the chairs say they are only "somewhat," "slightly," or "not at all" familiar. Despite the longevity of the program in Tennessee, over a third of deans and more than half of the chairs give the same reply. Senior officers in two-year institutions are less familiar and deans and chairs more familiar with performance funding than their four-year counterparts.

Table 17: Familiarity by Sector and Position

Position		Very Familiar	Familiar	Somewhat Familiar	Slightly Familiar	Not At All Familiar	
Senior Admin	Two -Year	49.3%	38.2%	10.7%	1.8%		100.0%
	Four-Year	62.2%	27.9%	6.3%	2.7%	.9%	100.0%
Academic Deans	Two-Year	22.5%	41.7%	30.0%	5.0%	.8%	100.0%
	Four-Year	20.9%	33.3%	25.3%	15.1%	5.3%	100.0%
Depart Chairs	Two-Year	10.1%	29.0%	33.2%	18.4%	9.3%	100.0%
	Four-Year	8.8%	27.9%	32.6%	20.1%	10.6%	100.0%

Why Haven't Performance Programs Made More Difference

The lack of familiarity of deans and chairs with performance funding may well explain why all of the performance programs have not made more of a difference. Policies on reporting, budgeting, and funding hold coordinating boards accountable for the collective performance of higher education in a state, and presidents and vice presidents responsible for institutional performance. Higher education has decentralized authority over most academic matters to divisions and departments. But few colleges or universities decentralize accountability to their operating units, which are really responsible for the results on most of the indicators in these performance programs. How many department chairs on your campus can tell you the graduation rates or time to degree of their majors or even the tuition or fees for their students?

The lack of familiarity with performance results flows from the absence of wide dissemination of the performance of internal units and of the lack of fiscal consequences for divisions and departments. To remedy these problems, institutional research should provide deans, chairs, and senior officer on campus with annual reports of the performance of divisions and departments on the indicators used in reporting, budgeting, and funding programs. Statewide programs in budgeting and funding also could encourage internal concern with institutional performance by adding an indicator on internal campus allocations. They should provide special funding for colleges or universities that use appropriate statewide indicators in their internal budgeting of divisions and departments. Such a step would leverage state funding with institutional allocations. More important, this provision would engage directly the departments and the professionals most responsible for performance in meeting the institutional goals set in performance programs. Professors are unlikely to pay attention to performance programs that neither publicize nor reward their own performance.

Some of the most common performance indicators in state programs seem suited for inclusion in departmental allocations. After all, the actions of academic departments are most responsible for the results on the common indicators of retention, graduation, and transfer rates; licensure test scores; and the satisfaction levels of students and alumni. Such a proposal would certainly make performance funding more visible on campus. It would also clarify the link between planning, budgeting, and performance.

Conclusion

Our surveys and studies suggest that to date reporting, budgeting, and funding performance have made some difference, but not nearly as much as their advocates promised. Opponents seize on the limited results as a reason for abandoning all efforts at holding public colleges and universities accountable for their results. They exhibit the common fault on campus of condemning new proposals for institutional change without examining the flaws in current practices. A classic case of this double standard occurred a year ago, after I gave a paper on performance funding at a national conference. A president of a leading university demanded: "what has this program done to improve the performance of colleges and universities?" Instead, of responding with the obvious answer that the policy was too recent to assess the impact, I asked, "what has traditional budgeting after thirty years done to improve campus performance?" After several moments of embarrassed silence,

the President blurted: "Why traditional budgeting was never intended to improve performance." I smiled and said: "I rest my case."

It is still too soon to tell whether performance programs will eventually improve the results of colleges and universities, or increase their responsiveness to state and student needs. But one conclusion is clear. Higher education is too important and too costly to states and students to consider only resource inputs and ignore performance results. We academics are too good at criticizing the outcomes of outside organizations to plead the impossibility of evaluating our own performance. We may be able to persuade governors and legislators that only educators can evaluate the performance of higher education, but they will never accept the answer that it cannot be done. Taxpayers are unlikely to accept forever the proposition that performance should count in all endeavors except higher education. The real question is whether educators and experts in institutional research will lead or leave the action on accountability for results to outsiders. Community colleges should champion the new concept of accountability and educational excellence for your claim to fame is based on results not resources, on performance not prestige.

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