The Demise of Higher Education Performance Funding Systems in Three States

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Abstract

Performance funding in higher education ties state funding directly to institutional performance on specific indicators, such as rates of retention, graduation, and job placement. One of the great puzzles about performance funding is that it has been both popular and unstable. Between 1979 and 2007, 26 states enacted it, but 14 of those states later dropped it (though two recently reestablished it). To shed light on the causes of this unstable institutionalization of performance funding, we examined three states that have experienced different forms of program cessation — Illinois, Washington, and Florida. For our analysis of the factors leading these three states to abandon performance funding systems, we drew upon interviews and documentary analyses that we conducted in these states. Our interviews were with state and local higher education officials, legislators and staff, governors and their advisors, and business leaders. The documents we analyzed included state government legislation, policy declarations and reports, newspaper accounts, and analyses by other investigators.

We inevitably found that factors unique to one or another state played a role in the demise of performance funding. Nonetheless, we also found several common features:

- A sharp drop in higher education funding (present in Florida and Illinois);
- A lack of support by higher education institutions for the continuation of performance funding (all three states);
- The loss of key supporters of performance funding (all three states);
- Weak support by the business community (Florida and Illinois); and
- The establishment of performance funding through a budget proviso rather than a statute (Illinois and Washington).

The final section of this paper discusses the implications of these findings for advocates of performance funding.

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Introduction and Background

Over the past three decades, policymakers have become concerned about finding ways to secure better performance from higher education institutions, whether in the form of greater access and success for less advantaged students, lower operating costs, or improved responsiveness to the needs of state and local economies. As a result, great effort has gone into designing incentives for improved college performance. One of the key incentives that state governments have tried is performance funding, which ties state funding directly to institutional performance on specific indicators, such as rates of retention, graduation, and job placement (Albright, 1998; Alexander, 2000; Burke, 2002, 2005; Dougherty & Hong, 2006; Ewell & Jones, 2006; Gaither, Nedwek, & Neal, 1994; Layzell, 1999; McLendon, Hearn, & Deaton, 2006; Ruppert, 1994, 1995; Shulock, 2003; Shulock & Moore, 2002, 2005, 2007; Zumeta, 2001).

One of the great puzzles about performance funding is that while it has been popular, it has also been very unstable (Dougherty & Hong, 2006; Erisman & Gao, 2006). States that have enacted performance funding have often and sometimes substantially changed the amount of funding they devote to it and the criteria by which they award that funding. Moreover, the number of states enacting performance funding has waxed and waned sharply. Between 1979 and 2007, 26 states enacted performance funding, but 14 of those states dropped it over the years (with 2 reestablishing it recently) (Burke & Minassians, 2003; Dougherty & Reid, 2007).

We are now entering a period of renewed interest. A variety of prominent higher education commissions and researchers have called for greater focus on performance accountability, though often taking forms different from past practice (Blanco et al., 2007; Callan, Ewell, Finney, & Jones, 2007; National Commission on Accountability in Higher Education, 2005; Shulock & Moore, 2005, 2007). Moreover, several states have recently enacted or readopted performance funding, including Virginia (in 2005) and Washington (in 2007), and other states, such as Texas and Arizona, have been considering it (Associated Press, 2007; Blum, 2007; Couturier, 2006; Washington State

Board for Community and Technical Colleges, 2007).

Despite its apparent popularity, performance funding has experienced only limited and unstable institutionalization in the years since it was first introduced. The purpose of this paper is to analyze this instability. We begin by tracing which states have adopted, dropped, or retained performance funding over the last thirty years. We then offer an explanation — based on an analysis of the experiences of three states — of what factors lead states to let their performance funding systems lapse.

The Unstable Adoption of Performance Funding

In the nearly three decades between 1979, when Tennessee first adopted performance funding, and 2007, 26 states enacted performance funding at some point.[1] However, by 2007, 12 of those states no longer used performance funding for higher education (Burke & Minassians, 2003, p. 5; Burke & Modarresi, 1999, pp. 10-11).[2] These patterns of adoption and relinquishment are shown in Table 1 below. Our data on the enactment of performance funding come from the yearly survey conducted by Joseph Burke and associates between 1997 and 2003 (Burke & Modarresi, 2003), and the update conducted by Dougherty and Reid (2007) in 2007.

[1] This figure excludes New Mexico, which established a performance funding system in 2005 but had not funded it as of 2007 (Dougherty & Reid, 2007).
[2] Fourteen states had let their performance funding system lapse, but two of those states (Virginia and Washington) subsequently reestablished it.

Table 1: Changes in the Presence of Performance Funding Systems

	Performance funding enacted between 1979 and 2007	Performance funding still present as of 2007	Performance funding temporarily abandoned at some point
Alabama			
Alaska			
Arizona			
Arkansas	Yes		
California	Yes		
Colorado	Yes	Yes (but no longer funded)	
Connecticut	Yes	Yes	
Delaware			
Florida	Yes	Yes	
Georgia			
Hawaii			
Idaho	Yes		
Illinois	Yes		
Indiana	Yes		
Iowa			
Kansas	Yes	Yes	
Kentucky	Yes		
Louisiana	Yes	Yes	
Maine			
Maryland			
Massachusetts			
Michigan			
Minnesota	Yes		
Mississippi			
Missouri	Yes		
Montana			
Nebraska			
Nevada			
New Hampshire			
New Jersey	Yes		
New Mexico	Yes (but not funded)	Yes (but not funded)	
New York	Yes		
North Carolina	Yes	Yes	
North Dakota			
Ohio	Yes	Yes	
Oklahoma	Yes	Yes	
Oregon	Yes	Yes	
Pennsylvania	Yes	Yes	
Rhode Island			
South Carolina	Yes	Yes	
South Dakota	Yes	Yes	
Tennessee	Yes	Yes	
Texas	Yes		
Utah			
Vermont			
Virginia	Yes	Yes	Yes (2000-2005)
Washington	Yes	Yes	Yes (1999-2007)
West Virginia			
Wisconsin			
Wyoming			
Total	26 states	14 states	2 states

The Purpose and Methods of This Paper

How do we explain why performance funding has often failed to be sustained over a long period of time? To shed light on this, we investigated the experiences of three states — Illinois, Washington, and Florida — that have experienced different forms of program cessation. Illinois established and then relinquished performance funding and has not reinstated it. Illinois's short-lived performance funding system — known as the Performance Based Incentive System (PBIS) — was created by the Illinois Community College Board in 1997 in a budget proviso. This system was in operation for three years (1998-99 to 2001-02) before lapsing in 2002. Washington established performance funding for its public universities and two-year colleges in 1997, via a proviso in the state budget for the 1998 and 1999 fiscal years. This budget proviso was not renewed in 1999. However, the state reestablished performance funding for community colleges in 2007, and began exploring the possibility of using a different type of performance funding with four-year colleges in 2008.[3] Florida, meanwhile, established two performance funding systems that ran concurrently for several years (Performance-Based Budgeting, established in 1994, and the Workforce Development Education Fund, established in 1997), but then abandoned the WDEF after 2002. The fact that Florida abandoned one system but kept the other is very helpful in understanding the factors that affect whether performance funding systems are retained or not.

For our analysis of the factors leading these three states to abandon performance funding systems, we drew upon interviews and documentary analyses that we conducted in these states. Our interviews were with state and local higher education officials, legislators and staff, governors and their advisors, and business leaders. The documents we analyzed included state government legislation, policy declarations and reports, newspaper accounts, and analyses by other investigators. In order to maintain confidentiality, we do not identify our interviewees by name but rather identify them by approximate position.

[3] Washington passed legislation in 2008 to explore the use of "performance agreements" with the state universities in which the state would guarantee certain levels of funding in return for certain levels of performance (Zumeta & Kinne, 2009).

Explaining the Demise of Performance Funding

As we look across the states of Florida, Illinois, and Washington, we inevitably find that factors unique to one or another state played a role in the demise of performance funding. Nonetheless, it is striking to find certain common features:

- A sharp drop in higher education funding (present in Florida and Illinois);
- A lack of support by higher education institutions for the continuation of performance funding (all three states);
- The loss of key supporters of performance funding (all three states);
- Weak support by the business community (Florida and Illinois); and
- The establishment of performance funding through a budget proviso rather than a statute (Illinois and Washington).

Let us now turn to exploring how these common factors — as well as ones idiosyncratic to each state — operated in Florida, Illinois, and Washington to cause the demise of performance funding.

Florida

Florida's performance funding system, which has consisted of two distinct programs, was first enacted in 1994. At that time, the state's Performance Based Budgeting (PBB) system, which still exists today, was created, and took effect two years later. Florida's second performance funding program, the Workforce Development Education Fund (WDEF), was enacted in 1997 and took effect the following year.[4] Only the community colleges (along with the vocational-technical institutes run by the K-12

[4] The Workforce Development Education Fund (WDEF) originated in 1994 as an experimental Performance Based Incentive Fund, which was voluntary and open only to community colleges and K-12 technical institutes (Wright, Dallet, & Copa, 2002).

districts) were subject to PBB and to the much larger WDEF program (Authors' interviews; Bell, 2005; Pfeiffer, 1998; Wright, Dallet, & Copa, 2002; Yancey, 2002).[5] For the community colleges, PBB typically has amounted to about 1 percent of total state appropriations for the community colleges, while the WDEF accounted for as much as 5.6 percent (Wright, Dallet, & Copa, 2002, p. 163).[6]

Unlike PBB, WDEF did not provide institutions with additional incentive funding over and above regular state appropriations. Instead, the state withheld 15 percent of the prior year's workforce appropriations, and the colleges and vocational institutes were required to earn those monies back based on their performance on designated indicators (Bell, 2005, pp. 48-56; Pfeiffer, 1998; Wright, Dallet, & Copa, 2002; Yancey, 2002, pp. 58-60).

While PBB continues to this day, the Workforce Development Education Fund ceased after 2002 (Bell, 2005, pp. 41-50, 54-56; Pfeiffer, 1998; Wright, Dallet, & Copa., 2002; Yancey, 2002, pp. 58-63). Why did it fail while PBB survived?

The demise of the WDEF was due to a confluence of several forces. The governor was sharply cutting state appropriations for higher education. Faced with this, the community colleges preferred to take cuts in their performance funding — particularly the WDEF — rather than in their main enrollment-based state funding. They regarded the enrollment-based funding as more likely to grow and be more stable than performance funding, particularly the WDEF, of which they had many criticisms. The K-12 districts, which were also subject to WDEF, had their own criticisms of it. Finally, the legislators who had championed WDEF were no longer around to defend it because they had been driven out of office by term limits.

[5] The state universities did get some performance funding but it consisted of only three one-time yearly payments over the past 14 years, with each of those payments amounting to only $3-4 million each year, and the payments were not made as part of the PBB system (authors' interviews).

[6] In fiscal year 2001, Florida's performance funding levels for community colleges reached $55.2 million ($8.3 million through PBB and $46.9 million through WDEF (Wright et al., 2002, p. 163; Yancey, 2002, pp. 57-62). The WDEF figure is based on the 15 percent withheld from community college workforce funding. In that same year, state appropriations for community colleges (based on general revenues and lottery proceeds) were $842.3 million. Revenues for community colleges from all sources — including state appropriations, student fees, sales/services, other receipts, and federal funding — totaled $1.1 billion (Florida State Board for Community Colleges, 2002, pp. 77, 80).

Fiscal Shifts

Florida government revenues dropped in the early part of this millennium, with total revenues dropping from $49.2 billion in fiscal year 1998-1999 to $46.4 billion in fiscal year 2000-2001 (U.S. Census Bureau, 2001, table 510; U.S. Census Bureau 2003, table 453). Moreover, soon after his election, Governor Jeb Bush (who held office from 1999 to 2007) moved to cut spending or keep down increases in many areas of the state budget in order to meet increasing Medicaid costs, fund some new initiatives of particular interest to him, and allow large cuts in taxes (Dyckman, 2001; Pendleton & Saunders, 2001). Consequently, as can be seen in Table 2, state FTE spending on higher education dropped sharply in relative and even absolute terms during the Jeb Bush administration (Florida State Department of Education, 2009, table 19; Florida State University System, 2008, tables 10, 40).

Table 2: State Revenues for Higher Education in Florida

	Community College System*		State University System**	
	State Revenues	State revenues per FTE	State Revenues	State revenues per FTE
1999-2000	$798,840,132	$3,392	$2,244,556,128	$15,449
2000-01	$842,345,123	$3,444	$2,491,593,100	$16,379
2001-02	$820,100,788	$3,066	$2,410,567,381	$15,023
2002-03	$884,317,527	$3,102	$2,549,039,410	$15,309
2003-04	$885,127,338	$2,972	$2,654,244,798	$15,265
2004-05	$948,099,957	$3,216	$3,029,268,942	$16,874
2005-06	$990,110,022	$3,441		

* State appropriations in form of general revenues and lottery funds. Source: Florida State Department of Education (2009, Table 19).
** State appropriations in form of general revenues and trust funds. Auxiliary enterprises, contracts & grants, local funds, and fixed capital outlay are excluded. Source: Florida State University System (2008, tables 40, 10).

Faced with these budget cuts, the community colleges wanted the cuts to come first in the performance funding area rather than their main operating funding categories (Authors' interviews FL #20, 21). As a leading state community college official noted,

> They [community college's] had not gotten any additional money in a long time, yet they had an open door policy, and so they were taking more and more enrollments. So they wanted to go back on more of an enrollment basis and de-emphasize performance.... They wanted the focus to be on enrollment, because they had been, you know, pulling in more and more students every year, and particularly as the budget got tight and universities were capping,

> they were getting the spillover on it. So all of a sudden enrollment became a more salable argument for funding than did performance. They got very active on that tack, and I remember strategy meetings where community colleges had assignments to go back, and these were their talking points, with legislators and that type of thing. (Authors' interview FL #21)

But if cuts were to be made in performance funding, why did they occur in the WDEF program and not the PBB? Other factors besides fiscal strain help explain this.

Community College Criticisms of the WDEF

The community colleges wanted to be out from under the Workforce Development Education Fund because they had become quite unhappy with several features of the program: its use of a holdback feature to reward community colleges; lack of increases in funding for WDEF as time passed; measurement of institutional performance against the average for other colleges rather than against a college's own past history; the opaqueness and perceived political nature of how the WDEF funding formula was applied; the use of a questionable means to calculate what a college's workforce funding baseline was; and lack of sufficient consultation with the colleges in designing the WDEF to begin with. We discuss each of these criticisms in turn.

The use of a holdback formula. Unlike the Performance Based Budgeting program, the Workforce Development Education Fund program involved a holdback feature. Community colleges and school district area vocational-technical centers received 85 percent of their prior year's state workforce related appropriation up front. The remaining 15 percent was held back, to be returned to the colleges and vocational-technical centers according to how well they performed in the subsequent year on a variety of workforce preparation measures, such as vocational graduation rates and placements in high-wage/high-demand jobs. The baseline allocation was first made in 1998-1999, and the formula was first applied in 1999-2000 (Pfeiffer, 1998, p. 24; Wright, Dallet, & Copa, 2002, p. 153; Yancey, 2002, p. 59-61).

From the very beginning, the community colleges and vocational-technical centers were nervous about the prospect that they might not fully recapture the funds held back (Authors' interviews FL #2a, 2b, 3b, 4b, 6a, 27). As a top state community college official noted,

> I don't think any of the colleges were sad to see it go, because it was an 85 percent, and then you earned back your other 15 percent, [system]. In reality, I don't think anybody or certainly very few ever lost money, but the prospect was there to lose money. And as you can imagine, a community college president is not real excited about that. With our PB Squared [the Performance Based Budgeting system], it's split the pot. You may not get what you got before, but it's not a base kind of thing. It's just an add-on and you will get something. And just because of what's involved, you will get very close to what you got the year before. (Authors' interview FL #2a)

A dean of vocational education at a local community college expanded on the uncertainties posed by the WDEF holdback feature for their vocational education program:

> At one point in time [before the WDEF] we could really know if the program was cost-effective. We could plan and we could say, if we have this many students we could be able to generate new equipment, we could generate salary for instructors. With the new formula it's very difficult. We still have those up front costs. We're still going to have to pay the instructors. We're still going to have to have the same equipment in the classroom and all the other fixed expenses. Now the mystery is, well, what if they don't finish, what if they don't outplace, well then our funding could change. So our expenses haven't changed but our funding resources have. (Authors' interview FL #27)

Not increasing WDEF funding. The colleges' uncertainty was further exacerbated by the fact that the state legislature did not increase funding for WDEF, even as the colleges improved their performance. The result was that colleges could increase their performance but still not receive any additional money (Authors' interviews FL #2a, 3a, 3b, 4b, 6a, 10, 21; Dougherty & Hong, 2006). As a leading state workforce training official noted,

> We had some people that were increasing their performance 5 or 6

> percent and losing dollars, and so that was probably a flaw in the design that you don't think about until you get away from it…. Because they [the colleges] were recruiting primarily poor folks and target groups much more aggressively, their point production went up significantly in the beginning, and with that nobody should have lost money. But when you don't have any additional money in the pot somebody has to lose. [Interviewer: What was the reason for no additional money?] Well because workforce was fourth on the list behind K12, universities, and community colleges, and you weren't going to put money into workforce if those other ones were screaming. (Authors' interview FL #21)

A local community college president noted how dismaying it was to have improved performance not result in more money and even result in loss of a portion of the held-back funds:

> We have had no increase in that pot of money for four to five years, and it's very, very discouraging to all of us who have worked hard retraining faculty. We've gotten them excited. We've redone all of our testing and our computer tracking systems. We've spent enormous energy and funds to do what we thought the legislature was asking us. In fact, it got so discouraging the second year because some of us that had done a lot better actually lost money — because with a finite pot of money and more people learning how to do the reporting better, they had more points every year and they divided the points into the same finite number of dollars to figure out how much the points would get. (Authors' interview FL #22; see also Dougherty & Hong, 2006, p. 72)

As this community college president notes in passing, colleges were being hurt not only by the fact that the "pot of money" for WDEF was not increasing, but also because their performance was being assessed relative to that of other colleges. This leads to the next point.

Measuring institutional performance in relative terms. In gauging how well colleges were performing, the WDEF system measured colleges not against their past performance but against that of other colleges. As a result, a college could increase its workforce training output and yet still lose a portion of the held-back funds if other colleges increased their output even more (Authors' interviews FL # 4b, 6a, 21, 25; see also Dougherty & Hong, 2006).[7] As a leading state workforce training official noted, "you could perform better than you did last year, but if it wasn't relatively as good as your colleagues in the other colleges you could still lose money" (Authors' interview FL #21). A vocational education dean at a community college amplified on this: "If you improve more and there's not any new money in that pot, guess where your more improvement comes from. From my pot of money. Because if … every one of us improved, but these two here improved even more, part of my money is gone that I operated on last year" (Authors' interview FL #25).

Opaqueness of the WDEF formula. The formula connecting college performance to funding outcomes was very unclear to colleges. Part of this was because, as we have noted, funding outcomes were dependent not just on a college's own performance but also on that of other colleges and on how much money was allocated to the WDEF that year. But the problem was compounded by the fact that funding allocations were done at the end of the year by a very small number of state legislative staff members, who were responding to legislative pressures (Authors' interviews FL #2a, 6a, 22, 23, 24). As a state community college official noted, while the PBB formula for determining colleges' funding shares was viewed as straightforward, that was not the case with the WDEF:

> The other problem we had with [WDEF], to be honest with you, [was that] it was a black box. In other words, two people ran the model. Nobody in the world knew what they were doing. They finagled the numbers. No one knew how they came up with the points…. They give you a whole bunch of information after the appropriation was done. But in terms of giving you the ability to plan, look ahead, it was awful. So a lot of mistrust was created by a black box approach…. No one really trusted the data…. [In the case of PBB] it's all in the open. People can have [the] program…. We meet in the open and it's all decided. In other words, it's a collaborative effort as opposed to a top-down approach. For PBB to be successful, people have to understand it. They have to be able to replicate the results. And they couldn't do that with the

[7] The Performance Based Budgeting funds were distributed similarly in that a college's share was also dependent on how well other colleges performed. However, the PBB funding did not take the form of a hold back, so colleges did not feel that they were losing funding based on a relative performance measure. The PBB funding was new money, over and above their regular enrollment-based appropriation, so that the relative measure of performance did not bother the colleges anywhere near as much.

> Workforce Development Funding. (Authors' interview FL #6a)

A local community college official agreed with this assessment of the opaqueness and politically based variability of the process by which the held-back WDEF funding was allocated:

> They're [legislators] making the rules as they're going along and it's hard to plan for something that you don't have rules for.... We don't know how much an activity is worth until the legislators battle [it] out. So we only know after we've done everything, how much we're going to get paid. And funding in Florida, most of it is political and if one college seems to be getting hurt by the funding formula, they will modify the formula to maybe have that college do better. They may put emphasis on different set of criteria, a larger rate, so it's pretty much after the fact.... So one time it's enrollment, one time they put the weights in completion or placement, so they adjust the rates depending on what they want. (Authors' interview FL #23)

Disagreements over how a college's initial baseline funding should be set. At the very beginning of the WDEF program, the state had to determine what proportion of a college's state appropriation had been going to workforce training in order to set the college's baseline for the WDEF. However, there was great disagreement over what precisely constituted workforce training and therefore what proportion of a college's state appropriation was going to it and thus should be subject to the 15 percent holdback (Authors' interviews FL #3b, 4b, 6a). A state workforce training official noted:

> There were those like Miami Dade and like Florida Community College at Jacksonville that were never really fully in support of the program and felt that when the program started, the way that the 15 percent was carved out of their budget disadvantaged them from the beginning. And so they constantly made an argument to their legislators that, number one, we need to recover those lost funds…. Part of it had to do with how the students that weren't English language speakers were weighted…. Florida Community College in Jacksonville had a similar argument…. There is a separation in the community college program fund between what are basically academic programs and what are vocational programs. And so if you have a course that is made up partially of academic programs and partially of vocational programs, how do you divide it? And so, I think that there was a perception that some of their academic programs were included in the vocational side

> because of how we pulled the course information together.
> (Authors' interview FL #3b)

Lack of sufficient consultation with the community colleges. When the Workforce Development Education Fund was enacted in 1997 as SB 1688 (Laws of Florida, Chap. 97-307), it was very much a product of the state Senate. In contrast with the development of the Performance Based Budgeting system, which involved broad and deep participation by the community colleges, the development of the WDEF was a much more closely held initiative. A handful of state Senators and their staff designed the program, with little consultation with the community colleges. The community colleges were consulted after the fact in designing how the law would be implemented, but they had little to do with working out the basic framework, particularly the holdback portion, which they roundly disliked (Dougherty & Natow, 2008). A state official noted this limited involvement by community colleges and the unhappy feelings it bred:

> There was a lot of interaction between the Department of Education, the school districts, and the community colleges … where they were getting input from everybody in terms of what we could measure and what the data would take…. So it was a different type of involvement. It was at a much lower level. It was really down at the dean level or lower, even the data administrator. You know it was a much lower level…. The president and superintendents were briefed on this stuff and they were aware of it, but they didn't come to the meetings and contribute ideas. [Interviewer: WDEF had this take-back or holdback mode, let's say. How did the community college presidents feel about that?] They hated it, absolutely…. You were competing against everyone else in the system on a relative basis. [Interviewer: Now did they try to really strongly push back on the legislature to try to get the take-back provision dropped?] Yes, but the chancellor back then as well as the workforce dean … they did not want to be in opposition to Senator Kirkpatrick. (Authors' interview FL #6a)

K-12 Criticisms of the WDEF

The vocational-technical centers run by local school districts were also subject to the WDEF, and they too were critical of it. They found themselves competing against the community colleges for funding and often losing in that competition (Authors' interviews

FL #3b, 6a, 22). As a leading state workforce training official noted,

> Florida has had a system where the workforce programs are vested both in school districts and community colleges. Generally speaking, community colleges outperform school districts, and so there was kind of a sector shift as well. And so pundits of school districts were very disturbed by this, and of course it was a performance issue…. In fact there always has been a tension in Florida between the postsecondary operations and school districts.… And that tension has manifested itself at various times as fairly bloody battles between community college presidents and school superintendents, and this kind of exacerbated that tendency. (Authors' interview FL #3b)

As the previous quotation notes, there had been a history of conflict between the community colleges and the K-12 system over who should offer postsecondary vocational education (Authors' interviews FL #3b, 6a, 22). A community college president noted,

> The legislature had been getting into some arguments about who ought to be providing this kind of [adult] education. Their argument was that … an adult-level program ought to be at the community colleges. And, of course, the K-12 schools wanted to keep their adult ed schools because there's a lot invested in there. A lot of property taxes went into building the buildings, and all that, so they argued the other way. And, there's 65 of those schools operating, so there's numbers. It became a very bitter argument. (Authors' interview FL #22)

At one point the community college system tried to take over all postsecondary vocational education by absorbing the vocational-technical centers (Authors' interview FL #6a). This was bitterly fought by the K-12 districts and became another reason for repudiating the WDEF.

All of these objections the community colleges and the K-12 districts had to the WDEF might not have been enough to kill the program if it had been counterbalanced by business enthusiasm or championing by its original legislative advocates. However, neither was operative.

Lack of Business Interest

In the face of dissatisfaction on the part of community colleges and K-12 districts with the WDEF, one might think that the Florida business community would have stepped in to save it, given the resonance of performance funding with business notions of efficiency and the primacy of market forces. But in fact, business had played little direct role in the establishment of performance funding in the 1990s (Dougherty & Natow, 2008). Moreover, it did not display much concern about performance funding in the early years of this millennium (Authors' interviews FL #3b, 21). As a leading state workforce development official noted,

> The businesses were pleased about the focus on certain occupations because we did make a lot of changes in the program, and I think they were pleased with that. But they didn't really come out.… I think performance based funding was just so much academic jargon to them. And if the programs improved, they were happy with that. But they might not do a cause and effect with performance based funding. [Interviewer: Was the Chamber of Commerce saying much of anything in 2002? You know, let's not de-fund WDF?] Well, yes and no…. They were more interested in there being funding, particularly you know in K-12 because … K-12 and the quality of the schools becomes a big factor in whether businesses want to be there, where they want to locate, and all that type of thing. And so I think they were more interested along those lines than they were with performance funding. Think of it in this context … workforce did not get, and probably doesn't today, get a lot of attention when you stack it up against universities, K-12, and even the transfer programs within the community college system. (Authors' interview FL #21)

Loss of Legislative Champions

The main supporters for the WDEF in 1997 had been members of the state Senate, particularly Senators George Kirkpatrick (D-Gainesville) and Jim Horne (R-Jacksonville). But by the new millennium many of these supporters had left the Senate. By 2002, Senator Kirkpatrick was no longer in office (having run into a term limit in 2000). In fact, he died suddenly the following year (Associated Press, 2003). Meanwhile, Senator Horne — facing a term limit in 2002 — accepted the position of Commissioner of Education in 2001 (Saunders, 2001).

These Senate advocates of the WDEF program were replaced by new members who had less allegiance to the WDEF. Many had been in the House at the time the WDEF was enacted, but this bred little allegiance to it, because the WDEF had been incubated in the Senate with very little involvement by the House (Dougherty & Natow, 2008). As a state community college official noted, these new Senators did not feel bound by the past decision to enact performance funding and wanted to use the funds involved for projects of their own (Authors' interviews FL # 2a, 6a):

> Because we have term limits here in Florida, probably some of the champions of that [performance funding] got term-limited out. And other people said, "This doesn't make sense, we're going to use those monies in different ways." Because different people are always looking for different pots of money. [Because of term limits] you only have eight years, so you have to do something. (Authors' interview FL # 2a)

In addition, the new legislators were hearing many complaints from the higher education institutions about how well performance funding was working (Authors' interview FL #6a). As a state higher education official who worked closely with the legislature noted,

> Part of why [WDEF] might have gone away is that those Senators eventually left and the House members became the leaders in the Senate. They were told by their colleges and their school districts that Workforce was not working and they were losing money. (Authors' interview FL # 6a)

Summary and Conclusions on Why WDEF Ceased

The demise of the Workforce Development Education Fund is attributable to the joint effect of several forces. State appropriations for higher education were being held down and even cut by the new governor in order to free up monies to pay for increasing Medicaid costs, fund new initiatives by the governor, and allow tax cuts. Faced with these changes in state spending, the community colleges preferred to have the WDEF eliminated if they were going to be taking deep cuts in their main enrollment-based state funding. Moreover, they had very substantial criticisms of how WDEF worked, particularly the way it left colleges very uncertain about their funding because of its holdback feature, the lack of increases in state funding despite improvements in community college performance, and the fact that it measured a college's performance improvement against that of other colleges rather than a college's past performance. The community colleges were joined in their lack of enthusiasm for the WDEF by the K-12 districts, which were also subject to the WDEF and had their own criticisms of it. This dissatisfaction on the part of community colleges and K-12 districts was not counterbalanced by strong enthusiasm on the part of the business community or strong efforts by the legislative champions of performance funding. The Senators who had championed WDEF were no longer in office and able to defend it.

While the WDEF disappeared, the Performance Based Budgeting program survived. Certainly it was imperiled by some of the same factors that sank the WDEF, but PBB had the decisive advantage of not being roundly disliked by the community colleges and the K-12 system (which was not affected by PBB). The community colleges liked PBB because it did not hold back state funds but rather took the form of new money over and above their regular enrollment-based appropriation. Moreover, PBB funds were distributed on the basis of a clear formula that the colleges had a major hand in creating and in later modifying as they saw fit (Authors' interviews FL #2a, 6a, 7, 26).

Illinois

The Illinois Community College Board established a performance funding system — the Performance Based Incentive System (PBIS) — in 1997 by means of a proviso in its budget accepted by the state legislature. PBIS operated for four years (1998-99 through 2001-02) before being allowed to lapse in 2002. The money allocated to colleges was in addition to the main enrollment-based state funding; the PBIS did not involve a holding back of funds, as in Florida.

The amount of funding involved was small. Funding allocations for PBIS were $1 million in fiscal year 1998-99, $1.5 million in fiscal year 1999-2000, and $2 million in fiscal year 2000-01 (Illinois Community College Board, 1998, 2000, p. 3). These funds amounted to 0.4 percent of state appropriations to the community colleges in fiscal year 2000-01 and 0.1 percent of total community college revenues from all sources (including tuition, local tax revenues, and other sources) (Illinois Community College Board, 2002, tables IV-5 and IV-14).[8] Appropriation requests were made for the fiscal year 2002-03 and 2003-04 budgets, but were not granted, and further requests stopped after that.

PBIS sought to promote six statewide goals, for which 60 percent of the PBIS funding would be allocated, and one district goal for which 40 percent of the PBIS funding would be allocated. The six statewide goals were the following: (1) student satisfaction; (2) student educational advancement (number who earned a degree or certificate, transferred to a two-year or four-year institution, or were still enrolled at the end of a five-year period); (3) student success in employment/continued pursuit of education (number of graduates employed or currently enrolled in college); (4) student transfers (number who transferred to a four-year institution within five years of college entrance); (5) proportion of population served; and (6) academically disadvantaged students' success (percentage of remedial hours earned of total remedial hours attempted for the fiscal year). With respect to the one district-level goal, each community college district was to select one of the following areas on which to focus: workforce preparation; technology; or responsiveness to local need (Illinois Community College Board, 1998, 2000, 2003).

The primary cause of the demise of performance funding was the state's dire fiscal crisis. But other factors played a role as well in determining why PBIS was not saved and, as the state's funding improved, resuscitated. These include the loss of key champions in the state community college board, the lack of strong support from community colleges, and the lack of much support by other key actors such as the legislature and business.

Fiscal Stringency

Entering the new millennium, state revenues in Illinois dropped sharply. State total revenues dropped from $47.3 billion in fiscal year 2000-01 to $41.1 billion in fiscal year 2001-02, a drop of 13 percent in only one year (U.S. Census Bureau, 2004, table 441; U.S. Census Bureau, 2006, table 439). As a result, the state dramatically reduced

[8] In fiscal year 2001, state funds for performance funding amounted to $1.9 million, total state funding for community colleges amounted to $468 million, and total community college current fund revenues from all sources amounted to $1.7 billion (Illinois Community College Board, 2002, tables IV-5, IV-14).

appropriations for higher education. State funding for community colleges decreased from about $324 million in fiscal year 2001-02 to $289 million in fiscal year 2003-04 and, by fiscal year 2007-08, funding had only gotten back to $298 million (Illinois Community College Board, 2008, tables IV-2, IV-7).

In the face of this drop, the state community college board instituted reductions in restricted, categorical funding (such as performance funding) for the purpose of protecting as much as possible the primary method for funding community colleges, which is based on enrollments (Authors' interviews IL #3, 9, 10, 11, 13, 23, 24, 25, 26). As a state higher education official noted,

> The economy was tanking at that point…. When base budgets start to contract … those programs on the margin are the first things to be given up…. Institutions or sectors were looking at things that they could give up in the face of required budget reductions that cause the least amount of pain to the system…. It [PBIS] was a priority when there was money there to fund it, as well as, you know, just necessary increases in base budget operations, but when it contracted it was seen as not necessary. (Authors' interview IL #24)

A state community college official amplified the point that the fiscal troubles led community colleges to focus on their base funding:

> There was also the argument that if you're not going to fully fund the base operating grant, why are you going to put money into PBIS?... When we would meet with the [community college] council presidents or with the trustees association, they said when all else fails preserve base operating grants, preserve equalization [funding]. That was always the top priority because it was (a) the largest pot and (b) it was unrestricted funds. (Authors' interview IL #26)

Loss of Political Champions

This cutback was made easier by the fact that when the fiscal crunch really hit, the governor was no longer Republican James Edgar or Republican George Ryan, who had supported higher education accountability, but rather Democrat Rod Blagojevich, who seemed less interested (Authors' interviews IL #4, 14, 19, 23, 24). As a well respected college president noted,

> If you go back to [former governor] Jim Edgar, for example, you

> had then a governor that was very much interested in performance budgeting and better public policy in making decisions on state budgeting. But I just think that the current climate is such there is not an interest in that. There is no consumer for performance budgeting…. I think nobody's necessarily anti-higher education but the feeling I think is very much, "Well these guys are big and strong and influential and one way or another, through increasing tuition or doing whatever they've got to do, they can take care of themselves." So the finer points of performance and quality and priority setting and access and affordability, you know, are concepts that, by and large, I don't think enter their thought processes. (Authors' interview #19)

Meanwhile, many of the key proponents of performance funding at the Illinois Community College Board (ICCB) were no longer there (Authors' interviews #4, 20). The heads of the ICCB had played a key role in the origins of PBIS (Dougherty & Natow, 2008), but had since stepped down. As a state community college official noted.

> It [PBIS] was still in place, but what happened was, to be quite honest with you, no longer is [Governor] George Ryan there, no longer is Hazel Louckes [Ryan's education advisor] there, no longer is Joe Cipfl [the executive director of the Illinois Community College Board] there. No longer is Virginia McMillan [the ICCB deputy director] there. No longer is Sarah Hawker there. Those individuals at the ICCB who were key players; the real individuals that were emphasizing that, just simply aren't there anymore. (Authors' interview IL #4)

Weak Support of PBIS by the Community Colleges

By the time the PBIS system was discontinued, it no longer had much support from the community colleges (Authors' interview IL #7, 8). As a community college president noted, it brought little money:

> It didn't last long because there was, you know, no money attached to it. So it really wasn't worth it…. We asked for 10 million the first year, and got 2, and the next year it was cut to 1, you know. The numbers were just nowhere near anything of any significance. I can't tell you how many actual fiscal years we got any funding at all through the performance based system. Obviously it was so relatively little, that I can't even remember when it disappeared. (IL # 7)

In addition, the PBIS reporting did impose a fairly significant administrative burden on the colleges (Authors' interviews #12, 20, 27). As a well respected community college institutional researcher noted, "the PBIS issue is just doing the damn report every year. And frankly, it is just more of a burden than I think it ought to be, for the system, for the goals, and for the amount of money…. It's a pain in the neck" (Authors' interview IL #27).

The community colleges have not been interested in restoring performance funding because the state's fiscal situation has been so bleak that either they would be turned down or, more problematic, performance funding would come at the expense of regular funding (Authors' interview IL #10). As a state-level community college advocate noted, this was an unpalatable choice:

> If we were to go to the General Assembly and ask for $2 million in performance-based funding and ask the Governor for that, they would probably give us that $2 million, but they would take it out of our funding formula grants, so we didn't win anything. Because the bottom line is, they're only going to give us this many dollars…. Then you get a funding formula that's underfunded, and then, you have to start some kind of a rationing exercise that treats colleges unfairly, because when you start rationing, there are a thousand different ways to ration. Do you just cut everybody back by the same percentage, or do you run the funding formula with fewer dollars in it?… And our funding formula has thresholds in it…. If you reduce the number of dollars going in … there are some colleges that are going to drop off because they didn't meet a threshold…. So, you suddenly see some of your colleges that, you take $2 million out of the funding formula, and they turn around and they lose $4 million at one college because they no longer met these thresholds…. So, we could probably get the funding that the performance-based initiative funded, but it would play havoc. (Authors' interview IL #10)

Failure to Develop Strong Outside Support

Performance funding also lacked any deep political roots outside of the state community college board. It was adopted in 1998 not through state statute but as a proviso in the ICCB's budget request for that year. This adoption was not the result of the mobilization of the general public, the business community, or top governmental officials. Instead, it was initiated by the state community college system to secure new funding for the community colleges and to forestall the possibility of more radical forms of performance funding. Hence, performance funding had little support of any depth in the legislature or business community (Dougherty & Natow, 2008).

The legislature had not paid much attention to performance funding when it was first adopted (Authors' interviews #8, 23). As a key legislative insider noted,

> Truthfully, performance at institutions didn't much come up. It was a case of, you know, the Board of Higher Education made a recommendation, and you tried to fill their bank…. Honestly, performance, frankly, I'm embarrassed to say, didn't come up that I recall. (IL #23)

The business community was also not strongly supportive (Authors' interviews #9, 13, 14, 15, 19, 20, 21, 22, 24). A leading state higher education official noted:

> Beyond kind of the public policy actors that you would anticipate I'm not aware of any private sector support or any of the actors who played a real role there…. There are sizable and significant business interests and support of K-12 education in the state both in Chicago and statewide…. But you don't find like in other states kind of a business roundtable that says we think higher education is significant asset for the state and as such, you know, we want to support it but, you know, demand X, Y, and Z in terms of accountability from the system if we're going to keep seeking to put all of that enhanced funding into the system…. When the budget starts to go in the tank and you're looking for support, or you're looking for sizable increases for higher education, you don't have that constituency to rely on here. (IL #24)

Summary and Conclusions on Why PBIS Ceased

The primary reason the Performance Based Incentive System for community colleges ceased to exist after 2002 was the state's dire fiscal crisis. But other factors played a role as well in determining why the PBIS was not saved and, as the state's funding improved, resuscitated. The leaders of the Illinois Community College Board who had championed PBIS were no longer in office, and the new governor had little interest in performance accountability in higher education. This evaporation of leadership was not counterbalanced by strong support from other quarters. The community colleges were not strongly supportive, largely because PBIS brought them little money but significant administrative burdens. And PBIS had never attracted broad and deep support either in the legislature or the business community.

Washington

In 1997, Washington adopted performance funding for its public institutions as a provision in the state's higher education appropriation for 1997 through 1999 (see Washington State Appropriations Legislation [WSAL], 1997; see also Nisson, 2003; Washington State Higher Education Coordinating Board [WSHECB], 1998). Under this program, the state withheld a small portion of appropriations and required institutions to achieve specified performance levels to recover the full amount of withheld funding. The withheld amount consisted of $10.7 million for four-year colleges and $6.8 million for two-year colleges, amounting to 0.8 percent of the state's total appropriations for higher education (WSHECB, 2000; WSHECB, 2001, p 75; WSHECB, 2006, App. 1, p. 1; Washington State Board for Community and Technical Colleges, 1999a, 1999b). In the first year of performance funding in Washington, all that was required to receive performance funds was the creation of an "implementation plan" for how to achieve performance requirements; during the following year, institutions had to meet certain performance levels in order to receive back withheld funds (Authors' interviews; WASL, 1997; WSHECB, 1998).

Performance measures in Washington varied depending on whether an institution was a four-year or two-year college. Four-year colleges were required to meet standards relating to persistence, completion, "faculty productivity," graduation efficiency (proportion of credits taken to credits needed to graduate), and one measure that would be unique for each college (WASL, 1997; see also Sanchez, 1998; WSHECB, 1998, p. 2; WSHECB, 2000, pp. 2-3). Two-year colleges were required to meet standards relating to transfer rates, course completions, wages of occupational graduates, and graduation efficiency (WASL, 1997; see also Nisson, 2003; Washington State Community and Technical College Board, 1999a, p. 7).

In 1999, it came time for the Washington State legislature to adopt a new budget for the following biennium. But rather than simply renew the higher education performance funding proviso, the legislature removed the funding component and adopted a pure performance reporting system for the 1999-2001 biennium (Authors' interviews; see also WASL, 1999).

Our findings suggest that a number of factors contributed to the demise of performance funding in Washington State in 1999. These include the Republicans' loss of control of the state legislature, and frustration and even hostility on the part of the higher education community to the particular form of the performance funding system adopted in 1997.[9]

Republicans' Loss of Control of the Senate and Split Control of the House

Our analysis demonstrates that the Republicans' loss of party control in the state legislature played a role in the discontinuance of performance funding in Washington State. After the 1998 election, Democrats were once again the dominant political party of the Washington Senate, and Democrats and Republicans held equal representation — 49 seats each — in the House of Representatives (Ammons, 1998; Nisson, 2003). According to our respondents, these changes in party control helped to bring about the demise of the 1997-1999 performance funding system (Authors' interviews WA #9, 11, 14, 10). A well-placed observer noted that "the Democrats took control of the legislature and they didn't have any investment in" the performance funding proviso (Authors' interview WA #11). Democrats in the state legislature were more sympathetic to the preferences of institutions than were Republicans. According to one state higher education insider, Democrats:

> were more inclined to be more trusting of the institutions, and to take what the institutions were saying, that we have a continuous kind of improvement as part of our administration. And over time, they gave a convincing story. (Authors' interview WA #14)

A former legislator agreed:

> Democrats were more willing to agree with their institutional representatives that it would be a penalty to the least able and first-time college students, that the institutions were already doing the best they could, and [that] in the long run there were relatively few students who like to stay on in higher education and be

[9] Performance funding reappeared in Washington with the establishment in 2007 of the Student Achievement Initiative for community colleges (Washington State Board for Community and Technical Colleges, 2007). Moreover, in 2008, the legislature approved the exploration of "performance agreements" with the public universities (Washington State General Assembly, 2008; Zumeta & Kinne, 2009).

> professional students. (Authors' interview WA #16)

Additionally, the shift in party control created a political environment that made it difficult to sustain the performance funding program, which did not have a great deal of popular support. An illustration of the political environment at the time may be seen in the dispute that occurred between Democrats and Republicans — and among Republicans themselves — over the passage of the 1999-2001 budget (see Postman, Searcey, & Lynch, 1999). The budget passed the House by a narrow margin, and then only after certain Republicans decided to vote with Democrats on the bill (Postman, Searcey, & Lynch, 1999). Thus, the shift of party control in the state capital made quite a bit of difference as to which party's budget would be sent to the governor.[10] In such a conflict-laden political environment, it is no surprise that a contentious program like the performance funding proviso was discontinued (Nisson, 2003; Zumeta, 2001). As a staff member at the Higher Education Coordinating Board explained:

> We had an interesting election that year, 1998. We ended up with a tied House, so we had co-speakers, co-committee chairs, and nothing was done but by full consensus of the House of Representatives in the ensuing legislature. So this issue not having that kind of very broad base of support in terms of wide consensus about its effectiveness, that probably had a lot to do with why a controversial policy was not renewed that year.

Thus, the change in party control of the state legislature played a role in the elimination of Washington's 1997-1999 performance funding system.

Higher Education's Lack of Support for the 1997-1999 Performance Funding System

Another reason for the elimination of the 1997-1999 performance funding system was a lack of widespread support for the program. This included opposition to performance funding on the part of higher education institutions, and frustration on the part of the state coordinating boards with the way the system was developed. This section describes the reasons behind this general lack of support.

[10] Notably, the version of the appropriations bill that did pass the legislature changed Washington's higher education accountability system from a performance funding to a performance reporting model that did not directly affect institutional funding (Authors' Interviews; see also WASL, 1999).

Our data overwhelmingly suggest that the state's colleges and universities disliked the 1997-1999 performance funding system (Authors' interviews WA #2, 9, 14, 16, 18). The higher education community did not keep its aversion to the performance funding system a secret (Sanchez, 1998; Authors' interviews WA #9, 14). A former state higher education official remarked:

> [T]he institutions were never particularly, I think, comfortable with the whole idea of performance measurements. They were very good in the subsequent years, of lobbying the members of the legislature, and administration, about their resistance to this, and why it wasn't really major to what was important in education.… I think the institutions did a pretty good job of making a case. (Authors' interviews WA #14)

As will be discussed further, reasons for institutional opposition included: the punitive nature of the holdback formula; the fact that some institutions found it difficult to meet performance criteria; the belief that the system was duplicative of other performance mandates; the perception that the system treated diverse institutions in too similar a manner; and the fact that higher education goals and legislative goals often differ. The magnitude of the performance funding program's unpopularity with institutions may have been a force too difficult for the program to withstand at the time.

Unhappiness with the holdback formula. One reason behind the higher education community's frustration with performance funding was the system's holdback funding formula, which was viewed by some as punitive (Sanchez, 1998; Authors' interviews WA #1, 2, 9, 14, 18). Washington's first performance funding system withheld a fraction of higher education appropriations; institutions would receive these monies only by meeting performance funding criteria (WASL, 1997; Sanchez, 1998; WSHECB, 1998; Authors' interviews WA #9, 14, 2) The holdback provision troubled the institutions and their boards (Sanchez, 1998; Authors' interviews WA #9, 1, 14). In the words of a former state-level higher education official, colleges and universities believed:

> that performance measurements ought not be a punishment, that there ought to be incentives, not punishments.… And the HEC [Higher Education Coordinating] Board felt that way too.… [It] felt there ought not to be any withholding of money. But there

> should have been a way of — an incentive pool of money out there for institutions to get additional allocations, rather than having some held back or denied. (Authors' interview WA #14)

Another state higher education official informed us that:

> [O]ne of the things that made it a difficult sell for the higher education system and community initially was that there wasn't any positive incentive included in the policy. In other words, it was all in the domain of negative reinforcement.… So the most that institutions could do, would be to win back the funds that they currently have in their budget, if you understand what I am saying. There was no additional money put on the table as an incentive to improve performance. There was only the prospect of punishment there.… (Authors' interview WA #9)

Moreover, as a community college board staffer pointed out, holdback designs for performance funding systems run counter to many higher education experts' opinions as to what makes an effective incentive system (Authors' interview WA #2). This respondent told us:

> [The state Senate] had heard also that experts were saying that it should be new money, not a pull back of money.… They didn't want to come up with the new money.… They didn't have the new money to come up with, so you know they couldn't do performance funding of the kind where you throw new money at people, because they didn't have the money. (Authors' interview WA #2)

Difficulty in meeting performance criteria. The holdback formula was particularly troublesome to some institutions because they simply could not meet the performance criteria (Authors' interviews WA #2, 16). As one former legislator observed, institutions "had to show improvement to get their full allocation. That proved to be fairly challenging for the institutions.…" (Authors' interviews WA #16) A staffer at the State Board for Community and Technical Colleges agreed:

> [B]y the end of the year we had to give people their money back, and several colleges didn't get their money back. And some of them were counterintuitive — institutions which everybody perceived as always doing the right thing, and they didn't get the points. (Authors' interview WA #2)

Insufficient attention to institutional diversity. Another argument by higher education institutions against the 1997-1999 system was that it did not sufficiently account for institutional diversity — that is, the relatively broad brush with which the indicators painted a picture of accountability did not leave room for differences based on the unique institutional missions of different types of public higher education in the state (Authors' interviews WA #7, 10, 14). A business leader described the problem as follows:

> [T]he institutions were different enough that while you could have some common performance measures, their missions were not the same.… You want to develop measures that are actually aligned with the mission of the entity. And it wasn't clear that the generic ones in the budget about time-to-degree … really capture the mission of the individual institutions. (Authors' interview WA #10)

According to a current community college leader, institutions feel the same way today:

> The amazing thing is that the legislature is not aware of how individual institutions operate. And that's the unfortunate thing — they just think that we're all trying to be evasive about accountability when we don't adopt one-size-fits-all, or we're not anxious about adopting a one-size-fits-all, or just down to 2 or 3 performance measures. (Authors' interview WA #7)

Thus, when performance measures are fairly standardized (as they largely were in 1997-1999), they are perceived as less likely to be applied fairly across numerous and diverse institutions of higher education (Authors' interviews WA #7, 14, 10).

Incongruity in goals. Along similar lines, there seemed to be an incongruity between the performance measures adopted by the legislature and the performance goals that institutions believed to be important (Authors' interview WA #14). As one former higher education official observed:

> [W]hat's important to an institution may not be important to the public or may not be important to the legislature.… [Institutions] don't like the big, aggregated numbers about what percentage of your students are going to graduate on time, within four years — things like that. Well, those are the types of measurements that legislators and, we found out, that the public like to see. I mean,

> they want to know those things. (Authors' interview WA #14)

There was also a concern that the legislature's performance measures would cause colleges to focus their energy and resources on programs that were more likely to enhance institutional performance on the measures, while neglecting or even abandoning programs that are less likely to do so (Authors' interviews WA #2).[11] For example, a state higher education official noted:

> [O]ne [measure] was the median wage of graduates leaving our technical program will be increased to $12.00/hour, and I presume our median at that time was about $10.00/hour.… On that one, people said does this mean you want, you really, really want us to stop offering our lowest wage workforce programs, such as Early Childhood Education or such as Secretary — at that time Secretarial Training was, wouldn't have hit this $12.00/hr mark. Is that what the legislature really wants? They only want us to offer training if it's going to be higher wage. So it got into a whole conversation about the social value of training for jobs where the labor market has low economic rewards for them. (Authors' interview WA #2)

Thus, some of the measures that were important to the legislature were not necessarily compatible with the goals of the higher education community.

Duplicative of other mandates. Finally, another reason that higher education institutions in Washington disfavored the 1997-1999 system was because they felt that the system was duplicative of other mandates to which colleges and universities in the state were already subject (Authors' interviews WA #12, 14). As one state executive branch staffer told us, institutions' "principal argument" against performance funding "was that, 'We go through an accreditation process. What more do you need?'" (Authors' interview WA #12). A former state higher education official reiterated that institutions measure performance "internally, and that's something that they ought to be able to continue to do, rather than have oversight from a separate board, like, the Higher Education Coordinating Board or any other organization" (Authors' interview WA #14).

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[11] See similar discussion on "mission restriction" in Dougherty and Hong, 2006, p. 76.

In sum, our respondents repeatedly recognized that one of the reasons for the demise of Washington's 1997-1999 performance funding system was its lack of support from higher education institutions.

Higher Education Boards' Frustration with the 1997-1999 Performance Funding System

Connected with the opposition to performance funding on the part of higher education institutions was the frustration on the part of the state coordinating boards with the way the system was developed. These coordinating boards — the Higher Education Coordinating Board (HEC Board) and the State Board for Community and Technical Colleges — were not pleased with the manner in which the system had been adopted (Authors' interviews WA #2, 14). Institutions did not participate in the process by which performance funding measures were developed (Nisson, 2003). The legislature had taken the lead in adopting performance funding in Washington State, and the Higher Education Coordinating Board and State Board for Community and Technical Colleges were given little time to propose performance funding measures (Authors' interviews WA #2, 14; see also Nisson, 2003). Indeed, the State Board for Community & Technical Colleges was given only a few days to develop measures for two-year colleges (Authors' interview WA #2; see also Nisson, 2003). One State Board staff member told us: "[T]hey were sprung upon us. The legislature said you're going to have … to have indicators, and you're going to have to have them in three days" (Authors' interview WA #2).

According to a state higher education official at the time, the HEC Board had more time to devise performance measures for the four-year institutions (in conjunction with the legislature and the institutions themselves) than the State Board for Community and Technical Colleges had (Authors' interview WA #14). But according to our respondent, even the HEC Board had not been given "very much time." In this respondent's words: "Once we found out that the legislature was serious in doing it, the legislative session at that time was probably about up, you know — about three or four months total" (Authors' interview WA #14).

In the end, the HEC Board did not endorse the 1997-1999 performance funding system. As one state higher education official observed:

> [T]here were recommendations made that this policy not be continued, and I know [the HEC Board] made such a recommendation. I am quite sure that all of the institutions recommended that that particular approach to performance funding not be continued. And so it seems like, looking back on it, it didn't have the kind of broad and deep support and momentum needed to sustain, you know, a razor thin sort of balancing act, that any measure would have to have trying to get through a legislative chamber that's tied 49-49. (Authors' interview WA #9)

Thus, the fact that the 1997-1999 system did not enjoy strong and widespread support may be viewed as a contributing factor toward its elimination after the legislative power shift created by the 1998 election.

The Budget Proviso Was Relatively Easy To Eliminate

Another factor contributing to the demise of Washington's 1997-1999 performance funding system was the fact that as a budget proviso, it was relatively easy to eliminate. Because the state budget must be renewed every biennium, provisos can be eliminated simply by removing them prior to renewal; there is no need to go through a legislative repeal process, as would be the case with a statute (Authors' interviews WA #9, 19). The fact that the 1997-1999 system was enacted by proviso rather than statute contributed to the ease with which the legislature was able to discontinue the system after one biennium (Authors' interviews WA #9, 19). As one higher education official told us:

> [T]here wasn't a law passed in 1997, and so it was just part of the budget. Those provisions were only there, and so the legislature didn't have to actually eliminate it. They just didn't — they chose not to renew it, and what they did was they required continued performance reporting, but they no longer placed any contingent status on or hold any of the funds provided to institutions. (Authors' interview WA #9)

A legislative staffer — who was not personally involved with the 1997-1999 system but who has detailed knowledge of the legislative system and is familiar with the culture of higher education in the state — indicated a performance funding system enacted via budget proviso is not likely to be stable and long-term:

> The problems with these budget provisos is that they only go for two years. They can only commit for two years at a time so everything becomes so temporary. In the world of higher

> education, two years is nothing. I mean you can't hire a faculty for two years. You know? Just the faculty search takes a year. (Authors' interviews WA #19)

Thus, the fact that the 1997-1999 performance funding system was created through a budget proviso contributed to the relative ease with which it was eliminated before the 1999-2001 biennium.

Summary and Conclusions on Why the 1997-1999 Performance Funding System Ceased

In sum, several factors played a role in the rapid demise of the 1997-1999 performance funding system. First, the state Senate's dominant political party switched from Republican to Democratic, and the Democrats were not as supportive of tying funding to institutional performance as Republicans had been. Second, higher education institutions — a somewhat powerful political force in Washington State — were displeased with the 1997-1999 performance funding system. Reasons for institutional opposition included the punitive nature of the holdback funding system, the difficulty some institutions had in meeting performance criteria, differences between institutions and the legislature as to how to measure outcomes for higher education, institutions' belief that the 1997-1999 system did not take sufficient account of institutional diversity, and their belief that performance funding was duplicative of existing accountability mandates. Third, the State Board for Community and Technical Colleges and the Higher Education Coordinating Board were frustrated by the fact they had not been given much time to deliberate on performance funding measures (see also Nisson, 2003). And finally, the fact that the 1997-1999 performance funding system was enacted by budget proviso rather than by statute made it relatively easy to eliminate the following biennium.

Conclusion and Implications

One of the great puzzles about performance funding is that it has been both popular and unstable. Between 1979 and 2007, 26 states enacted performance funding but 14 of those states later dropped it (though two recently reestablished it). To shed light on the causes of this unstable institutionalization of performance funding we have examined three states — Illinois, Washington, and Florida — that have experienced different forms of program cessation. Illinois established performance funding for its community colleges in 1998, relinquished it in 2002, and has not yet reestablished it. Washington established performance funding for its public universities and two-year colleges in 1997, eliminated it from 1999 to 2007, and then reestablished it in 2007. Florida, meanwhile, established two performance funding systems beginning in 1994 but then abandoned one of them (the Workforce Development Education Fund) after 2002.

As we have analyzed the demise of performance funding in Florida, Illinois, and Washington, we certainly have found factors specific to one or another state. Nonetheless, the demise of performance funding in these three states also exhibits important commonalities:

- ***A sharp drop in higher education funding*** (present in Florida and Illinois). In Florida, this was due both to a decline in state revenues and the governor's push to cut taxes and fund other initiatives of particular interest to him. In Illinois, it was due to a sharp drop in state revenues and gubernatorial disinterest in higher education accountability. Faced with decreases in state funding, higher education institutions in both Florida and Illinois preferred to cut out performance funding in order to protect their traditional enrollment-based funding.

- ***A lack of support by higher education institutions for the continuation of performance funding*** (all three states). In the case of Florida and Washington, criticism of performance funding by higher education institutions was founded in good part on their dismay over the form that it took. In both states, the performance funding systems that were discontinued held back a portion of the state's appropriation to a college, with the college then having to earn back the withheld amount through improved performance over the following year. Many colleges disliked the funding uncertainty this caused because they feared (with some justification) that they would not be able to win back all the withheld funding. This fear was exacerbated, especially in Florida, by the funding uncertainty caused by the measures used to determine effective institutional performance. Institutions feared this revenue uncertainty because, on the expense side, their budgets are largely tied up with faculty and other personnel expenditures that are not easily reallocated.

- ***The loss of key supporters of performance funding*** (all three states). In two states, legislators had been key champions of performance funding at its inception. But at the time of its demise, they either had left office (Florida) or lost power as their party moved into the minority (Washington). In Illinois, the key loss of support was on the part of the Illinois Community College Board. Its leaders had spearheaded the effort to establish performance funding, but were no longer around to make the case for preserving it six years later.

- ***Weak support by the business community*** (Florida and Illinois). In neither state did the business community actively champion performance funding for higher education, and it never became a key backer.

- ***The establishment of performance funding through a budget proviso rather than a statute*** (Illinois and Washington). Enacting performance funding through a budget proviso made elimination easy because it did not require repealing legislation; it merely required not putting a performance funding item into the next budget.

The Florida case is very instructive because, while one performance funding program was terminated (the Workforce Development Education Fund), another one was kept (Performance Based Budgeting). The two programs differed in several ways that appear to have played an important role in their differing fates. Unlike the WDEF, the PBB did not provoke strong opposition on the part of higher education institutions because it did not have a holdback feature and because the colleges had a strong voice in creating and later modifying the funding formula.

The factors causing the demise of performance funding that are discussed above point to three key tasks that advocates of performance funding must undertake if they are to create a sustainable basis for such a program. First, a way of financing performance funding must be found that insulates it from the ups and downs of the state revenue cycle and that provides funding that colleges regard as “new” money, rather than money that is being held back or coming at the expense of their enrollment-based funding. Without resolving these finance issues, performance funding is highly vulnerable to being jettisoned when state funding for higher education drops or plateaus.

Second, performance funding advocates need to find ways of better securing the support of public colleges and universities themselves. Their support might save performance funding in a time of fiscal trial, while their opposition will very likely doom it. Giving colleges and universities a role in designing the performance funding system makes it more likely that the funding structure will be one that they find more comfortable, and it makes it more likely that the performance indicators used in the system will reflect missions the institutions value. Moreover, the support of higher education institutions also will be enhanced by finding ways of reducing the administrative burden and financial costs of data collection and analysis imposed on colleges and universities by state performance funding systems.

Third, if they wish to enhance the sustainability of performance funding, advocates need to expand the range of its supporters. One way to do this is to draw in social groups that are not moved primarily by the discourse of efficiency but instead are concerned more about educational effectiveness, particularly for underserved students. These equity-oriented actors may be attracted by performance funding if it includes measures that reward colleges for enrolling, effectively educating, and graduating students from underserved populations.

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