

# Incentivizing Diversity: Midwestern Performance Funding Policy and Diversity Indicators

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# Table of Contents

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**Introduction** ..... 4

**Purpose**..... 5

**Terminology**..... 5

**Conceptual Framework**..... 6

**Methods**..... 6

**Data Analysis** ..... 7

**Findings**..... 8

State Performance Funding Systems and How They Frame Diversity .....8

Deliberations and Actors..... 11

The Logic Principles of Midwestern Performance Funding for Four States ..... 11

Targeting Diversity ..... 18

**Discussion** ..... 20

State Policy Implications ..... 21

Recommendations for Further Research ..... 21

**References** ..... 22

## Introduction

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Performance funding (PF) is a policy that ties state funding of higher education to outcome indicators. The latest iteration of performance funding is widely referred to as performance funding 2.0 because unlike its predecessor, it does not award incentive funding over the base allocations. Instead, in PF 2.0 model indicators and weights are embedded in the state funding formula so that they are tied to the base operating funding allocations for an institution (Dougherty et al., 2016). Performance funding 2.0 has seen rapid growth, blossoming from 12 states in 2013 to over 32 states at the time of this report (McLendon & Hearn, 2013; National Conference of State Legislatures, 2015). Performance funding is meant to shift funding from an inputs based model to an outputs based model. It is part of the larger budgeting for outcomes and accountability movement across higher education policy and public administration. This movement seeks to save money while also improving institutional efficiency and performance in higher education. Concurrently, state efforts to address access, racial and socioeconomic diversity, and equity goals for underrepresented students of color also have increased (Blankenberger & Phillips, 2016; Burke, 1998; Cavanaugh & Garland, 2012; Rutherford & Rabovsky, 2014). However, state goals of cost savings and efficiency do not always support access and equity goals. In particular, there is evidence that PF can lead to negative unintended consequences. Some scholars have reported that PF can cause funding problems for institutions with high numbers of students of color. This can lead to a “creaming” of students and courses where the most privileged groups benefit because they are regarded as ideal inputs that will produce successful outcome goals (Dougherty et al., 2016). Currently, most PF programs have explicitly or implicitly adopted indicators designed to improve institutional outcomes for recruiting, retaining, and graduating historically underrepresented students of color (Jones et al., 2017; National Conference of State Legislators, 2015). While these goals are admirable, there is limited empirical investigation of the development and thinking surrounding indicators and weights designed to increase diversity in institutions of higher education.

## Purpose

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This multi-case study examines the PF policies in four Midwestern states to explore how PF metrics and weights address racial diversity in higher education. Performance funding policies in Illinois, Kansas, Ohio, and Minnesota were examined using both document analysis and semi-structured interviews with state level actors closely attuned to the development of higher education policy in each state. This research addresses gaps in the literature concerning the development and use of state PF policy to incentivize racial diversity goals in higher education. This report provides recommendations for how policymakers can reflect on the ways indicators can be used to move past symbolic efforts to address diversity in higher education, particularly to increase the participation and retention of underrepresented students of color. Additionally, there are recommendations for future studies on bridging the communication gap between state policymakers and institutional leaders about diversity goals.

This study supports IERC's mission to provide objective and reliable evidence for P-20 education policymaking and program development by focusing on a major policy initiative that is largely understudied within Illinois, as well as other Midwestern states. Whereas there have been some empirical examinations of Illinois PF in higher education (for example Blankenberger & Phillips, 2016) there have been very few comparative studies of the current Illinois PF outcomes based model that focused specifically on diversity as framed by state policy.

## Terminology

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**Diversity** – diversity here refers specifically to underrepresented minority (URM) and other underrepresented groups. Specifically, the Higher Education Act defines the term “minority” as an American Indian, Alaskan Native, Black (not of Hispanic origin), Hispanic (including persons of Mexican, Puerto Rican, Cuban, and Central or South American origin), or Pacific Islander (National Science Foundation, 2017).

**Equity** – in this paper, the term equity refers to policy efforts to address causes of inequities, not just their symptoms. This includes elimination of policies and practices that reinforce differential outcomes by race or fail to eliminate them (Kellogg Foundation, n.d.).

**Inclusion** – efforts designed to improve campus climate, reduce hostility, alienation, and marginalization so that all students feel comfortable and supported (Templeton, Love, Davis, & Davis Jr, 2016).

## Conceptual Framework

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For this paper, Bastedo's (2009) theory of institutional logics was used to uncover the thinking and ways in which state actors considered and implemented PF measures that address diversity and inclusion. Institutional logics are principles that embody the beliefs and practices that undergird the priorities of an organization (Scott, Ruef, Mendel, & Caronna, 2000, p. 170). Essentially, they represent the principles of an organization that guide decision making (Friedland & Alford, 1991, p. 248). Convergent institutional logics describe the phenomenon of a single dominant principle, idea, or approach to policymaking. This can serve as a mantra that becomes a guide for other like-minded organizations to follow. According to Bastedo, institutional logics and convergent institutional logics can be analyzed as both a principle that policy actors in an organization find compelling as well as "a set of organizational characteristics that have adapted to support the emerging principle" (Bastedo, p. 211). For example, Bastedo's model can be used to examine what overriding principles and priorities undergird the ways state policymakers frame PF policy and the metrics identified as important. More specifically, for this study, I employed Bastedo's concept of logic principles to explore how state priorities may guide state level actors to consider and frame racial diversity for underrepresented populations of color in PF policies.

## Methods

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This study employed a descriptive, qualitative, multi-case study approach. Multiple case designs provided more availability to gather data about the subject matter and for the researcher to gain insight into how phenomena operate in different contexts. Toward this goal, a multiple case design also allowed insight into how PF models and diversity indicators and weights, in particular, were chosen and implemented in different Midwestern states. Finally, using a multiple case design increased the trustworthiness and rigor of findings and provided opportunities to check and revise any developing insights gained from this inquiry.

I collected data from a number of sources to provide a more robust and comprehensive picture. I used a purposeful sample targeting Midwestern states that have PF models that address diversity, either explicitly or implicitly. I also employed snowballing sampling techniques to recruit participants. I conducted between two and five interviews per state with state-level policy actors who were either involved in the development of PF or privy to the process of the policy's development. Positions and affiliations for all participants are listed in Table 1. All interviews were semi-structured and designed to capture individuals' understandings of the goals, objectives, and challenges of developing PF policy that addresses diversity at the state level. Finally, I used triangulation with documents such as policy briefs, legislation, meeting notes, and email correspondence.

Table 1  
*Participants, by State*

State	Participants
Illinois	Staff member, State Coordinating Board
	Senior member, Illinois Community College Board
Kansas <sup>1</sup>	Senior member, Kansas Board of Regents
	Staff member, Kansas Board of Regents
Minnesota	Administrator, Minnesota Office of Higher Education
	Government research analyst, Minnesota Legislature
Ohio	Senior member, Ohio Higher Education Department
	Senior member, Ohio Higher Education Department
	Senior member, Ohio Higher Education Department
	Staff member, Ohio Higher Education Department
	Liaison for Ohio Legislature

## Data Analysis

For the analysis, all interview data and documents were reviewed to identify key themes and patterns. I used both open and thematic coding methods for categorizing my data within each case and across cases. My coding informed my analytical questions for examining the data, which informed the codes I developed. Likewise, as I began to summarize the individual case studies, my attention was drawn to aspects of commonality and difference across the cases, informing the development of my cross-case analysis. For example, I used both thematic coding and open coding to identify state logics both within and across states. I grouped similar themes within each of these theories to use as codes for my conceptual framework and subsequent data analysis. The codes served as markers for the guiding themes of my conceptual framework.

<sup>1</sup> Interviews with Kansas were very brief and mostly used to inform the researcher that the program is currently inactive. Consequently, the data used to discuss Kansas are mostly dependent on document analysis.

## Findings

The findings revealed both the language used to describe diversity as well as the thinking that went into the use of diversity within PF models, especially within the states of Illinois, Ohio, and Minnesota. In the section below, I provide an overview of each state’s current PF model, its allocations, and its articulation of diversity. Next, I discuss the deliberations and policy actors involved in the creation of the current PF model, particularly with regard to including diversity weights or indicators. Next, I review the logic principles as gleaned from both document analysis and interviews. Finally, I provide evidence of how diversity is conceptualized and addressed in PF models overall.

### State Performance Funding Systems and How They Frame Diversity

Across the four states, there are varying degrees of prioritization of diversity in PF policy. Each state PF model and how it addresses diversity is described in Table 2.

Table 2  
*Explicit State PF Indicators and Weights Addressing Racial Diversity and Equity*

State	Language Used	Metric or Weight	Core, Compensatory, or Optional	Allocation %	Sources
Illinois	Students who are academically or financially at risk, including first-generation students, low-income students, and students traditionally underrepresented in higher education	Weights	Optional	0.5%	Illinois Board of Higher Education, Higher Education PF Steering Committee (2014)
Kansas	Institution specific contracts include indicators specifically for underrepresented minorities  Model states institutions may disaggregate by sub-populations including underrepresented populations	Metric	Optional	100% New funds  90% for good faith effort	Kan. Stat. Ann. § 74-3302d & Approved Board of Regents agreements
Minnesota	Racial diversity  Underrepresented students of color	Metric	Core	5%	Minnesota Chapter 5-H.F.No. 4 Article 1: Higher Education Appropriations (2011); Minnesota Office of Higher Education (2007)
Ohio	Native American, African American, or Hispanic	Weights	Core	100%	Ohio Board of Regents (2013)



**Illinois.** In the state of Illinois, the authorizing legislation included provisions for recognizing the demands on and rewarding performance of institutions in “advancing the success of students who are academically or financially at risk, including first-generation students, low-income students, and students traditionally underrepresented in higher education” (p.3 of the act). The Illinois steering committee recommended that if any new state dollars were available, they were to be distributed on the basis of performance. Because the appropriations for higher education in the state have been declining steadily for 15 years, policymakers expressed concerns that there would be no “new” money to split, and they decided to start with a small pot of PF money.

Unfortunately, Illinois has just emerged from a three-year budget stalemate and PF has been temporarily halted. For the new fiscal year, however, the Governor proposed a total of \$50 million in PF for the nine public university systems and \$9.5 million for 39 community college districts (Illinois Board of Higher Education, 2017). The proposal seeks to distribute funds based upon the PF framework established by the Illinois Board of Higher Education (IBHE) and the Illinois Community College Board (ICCB). The state has included PF in its budget proposal since 2013, with a very low allocation of 0.5%, which amounts to approximately \$6.1 million of the total annual appropriation for public universities. The IBHE has noted that, whereas past budget recommendations included allocations based on the performance model, the initial approach was basically a “do no harm” approach until state actors could determine whether the formula worked. The final enacted appropriations by the General Assembly failed to include such performance allocations. Essentially, the PF program for Illinois public universities is a symbolic policy yet to be enacted, and with a 0.5% allocation, its impact has been questionable. Burke and Serban (1997) have argued that limited funding may negatively impede institutional outcomes, and the limited amount of funding allocated for the policy initiative. Layzell (1999) later supported this contention, citing that PF programs have to have a “meaningful” threshold so that institutions take the program seriously. PF appropriations recommended by the ICCB have been upheld and enacted at approximately \$360,000 each year, a small proportion relative to their appropriation as well.

*Diversity-Related Weights and Indicators.* In Illinois, the state PF model employs an outcome indicator aimed at improving degree and certificate completion for traditionally underrepresented students. Additionally, the state’s PF policy gives added weight to institutions for graduates who are from under-represented racial/ethnic groups or high demand fields of study. This is explicit in the authorizing legislation and provides evidence that this was a crucial part of the intent of state leadership. This was featured prominently in the discussions around PF in Illinois.

**Ohio.** Ohio initially established a PF 1.01 system in 1996 and enacted the current 2.0 system in 2009. Ohio passed this legislation ending enrollment-based funding for four-year universities and adding a PF element to its funding for two-year colleges. The state cancelled the old Success Challenge and implemented the new PF program in the 2010–11 fiscal year. For Ohio’s 14 public universities, the state allocated all funding based on the number of courses and degrees completed by students. For the 24 regional campuses, initial funding was assessed solely on course completion, and degree completion was later added to the formula. The PF program for Ohio community colleges began in fiscal year 2011–12. Ohio’s

policymakers set the state's PF indicators formula allocation to increase gradually from 5% in fiscal year 2011-12 to 30% in fiscal year 2015-16. The community college PF indicators include the percentage of students who successfully complete remedial education, the number of students who earn 15 and 30 semester credit hours, and the number of students who earn an associate degree or transfer to an Ohio four-year college or university, as well as performance on an indicator chosen by each community college (Ohio Association of Community Colleges, 2010).

*Diversity-Related Weights and Indicators.* Ohio utilizes outcome weights that explicitly refer to race and ethnicity, specifically Native American, African-American, and Hispanic (Ohio Board of Regents, 2013). The Ohio weight for race and ethnicity is one of only six PF models that have made racial diversity a core (as opposed to optional) requirement.

**Minnesota.** Like Illinois, Minnesota has maintained a very low threshold for PF appropriations, at 5%. The Minnesota approach has been characterized as reserving 5% of base funding until systems reach three of five possible performance objectives (Gehring, 2016). However, in 2015, the Board of Trustees of the Minnesota State Colleges and Universities agreed to modify the system's allocation framework for distributing state appropriations. Modifications included increased student success rates and increased collaboration among campuses. These revisions to the state's framework were expected to be complete in 2016, however, implementation to date has not occurred.

*Diversity-Related Weights and Indicators.* One of the key modifications to the Minnesota framework was the inclusion of measures that prioritize access and diversity. Minnesota's public universities may also tailor goals that prioritize different measures based on their student population and institutional mission.

**Kansas.** Kansas' PF system is markedly different from the other states in this study. Although in theory the Kansas PF plan is a 2.0 base allocation model where, if any new state dollars are available, they must be distributed through performance. In fact, according to the Kansas Board of Regents, to be eligible for new state funds all technical colleges, community colleges, state universities, Washburn University, and Washburn Institute of Technology must annually submit a performance report. However, no new state dollars have been allocated for public universities since at least 2009 and funding for state universities has been cut for the past several years.

Kansas' PF system calls for each public institution to develop a three-year performance agreement with the state. Agreements are developed through a lengthy and comprehensive review process that includes the state's coordinating board and institutional leadership at each college. The specific agreements are varied, prioritizing different measures based on institutional values and student populations. The specific language in the policy states that "For all institution-specific indicators involving students, institutions may disaggregate by sub-population (i.e. underrepresented populations, underprepared students, etc.)" (Kansas Board of Regents, 2014).

In the two-year sector, for which the Kansas Board of Regents serves as a coordinating board, new state dollars have been available annually since 2013. The state has distributed these dollars through PF at the same level as 2014, despite the fact that all 33 Kansas technical colleges and two year community colleges have a unique and updated 2017-2019 agreement with the Board of Regents. While these agreements are in place, the Kansas two-year sector has sustained other cuts over the past several years, and the Board's ability to influence the two-year colleges is limited by statute. Each community and technical college in Kansas has its own governing board, which has full legal responsibility for the institution.

*Diversity-Related Weights and Indicators.* Whereas previous versions of the Kansas PF plan utilized outcome metrics or weights that explicitly refer to race and ethnicity, the most recent version lists comparisons of race/ethnicity, socioeconomic status, and age as measures, but does not reference any specific goals pertaining to access, equity, or diversity related to race/ethnicity (Kansas Foresight 2020, 2015).

## Deliberations and Actors

In all four states, the higher education coordinating or governing board was essential in the creation and/or advocacy of PF policy and the development of language related to diversity. There were varying degrees of coordination between state legislatures and higher education coordinating boards. In Illinois, the state was required by statute to create a steering committee consisting of a broad-based group of individuals representing the Office of the Governor, the General Assembly, public institutions of higher education, State agencies, and business and industry. While the steering committee was involved, the IBHE staff did most of the work on this policy. In Kansas, the directive for creating PF policy came from the state legislature, but the coordinating board for each state had the responsibility for crafting the policy. In Ohio and Minnesota, on the other hand, the state's higher education board worked in concert with the legislature to create and refine the language of the policy. In Minnesota, the policy actors involved in the development of the PF model and diversity metrics were a bipartisan group, including a Republican senator and the Democratic governor who were both vocal advocates for diversity indicators that specifically addressed closing achievement gaps and racial diversity grants. The Lumina Foundation was also cited as an advocate and involved in the adoption process. In addition, the deliberation and adoption process were very careful about confidentiality in terms of those institutions involved, and institutions were encouraged to communicate with the Minnesota Office of Higher Education.

## The Logic Principles of Midwestern Performance Funding for Four States

As described above, logic principles communicate the beliefs and practices that organize the priorities of an organization. These logic principles also guide decision making in the creation and adoption of policy. Coding analysis revealed the following logic principles emerged in regards to the four states examined: (a) diversity and access is important, but not universal; (b) mission differentiation is key; (c) learn from research and other states' mistakes; and (d) use data to drive policy. I review each of these four logic principles and the supporting evidence below.

**Diversity and Access is Important, but Not Universal.** After talking to state actors closely tied to creating PF policies in each of the four states, it became clear that diversity and access is not a universal priority, but those that considered it a priority felt it was important to address within PF policy. Actors in Illinois, Minnesota, and Ohio, in particular, were reflective and purposeful about addressing diversity and access for underrepresented populations that resulted in metrics and weights related to this value. These states include Ohio, Illinois, and Minnesota. No substantive discussion of diversity and access for system-wide metrics and weights emerged for Kansas, although individual institutions have prioritized diversity and access in their tailored PF agreements with the state. Across all four states, when diversity and access related to historically underrepresented populations were considered, state policy actors mentioned priorities of the state or governor and attention to the achievement gap. For example, a government research analyst for the Minnesota Legislature said the following about considerations during the development of the state's current PF policy:

*I think we've had a conversation about [diversity] in a lot of different policy areas. I think that, particularly last session, the governor raised a lot of concerns about achievement gaps in education, both in K-12 and higher education, and so there was a . . . special joint committee convened that was looking at issues of equity and diversity goals across states government. Another thing, the governor requested some funding for a new grant program to help reduce gaps in graduation and higher education performance between students of color and other students. –Government research analyst, Minnesota Legislature*

For Illinois, one of the primary state actors responsible for crafting the PF policy also discussed attending to the educational gap and state priorities, saying:

*We've always had underserved populations. That was actually part of the legislation, which said, "We have to reward performance of institutions in advancing the success of students who are academically or financially at risk: first generation, low income, and other underrepresented students." That was part of our charge to do that. . . . [We also] have the education gap. We have the underserved students, the "two Illinois." –Staff member, State Coordinating Board*

For the community college sector in Illinois, addressing diversity was tied to institutional differentiation and serving different goals and populations. As one community policy actor explained:

*The reason that we [assign different metrics for diversity] is because the state of Illinois is so diverse. . . . So, for example, you have Chicago, which is a very urban, obviously, an urban setting, and then you have the suburbs, which tends to be a richer setting. . . . There are poor people who live in the suburbs. You have that, and then you have the rest of Illinois, which has big districts, and very diverse groups, so they could have pockets of wealthier and poorer students, and et cetera. We also had it in six categories. It's just regular degree and certificate completions. Then, there's degree and certificate completions of at-risk students. –Senior member, Illinois Community College Board*

Kansas state actors noted that the state's PF model did not address diversity, but institutions were allowed to prioritize diversity in their tailored agreements. As one state representative explained:

*[T]he performance agreement model that Kansas uses does not focus specifically on diversity, though [it] does allow institutions to choose such indicators as part of the agreement. I don't recall precisely how many institutions choose such indicators . . .*  
 –Kansas State Representative

The Ohio PF plan places strong emphasis on institutional differentiation as a means to address diversity and access. This differentiation extends to the state's sole public Historically Black College and University (HBCU). This differentiation, especially in regards to the HBCU is closely tied to considerations of access and underrepresented students of color. As one Ohio official explained:

*The only institutional specific piece is the access weights that we discussed. For instance, at our [public] HBCU in Ohio, they have a larger share of access students. That is that institutional specific component in that they are given, from a proportional standpoint they receive a greater share of the at-risk or access earnings in the formula than some of our other institutions.* –Senior member, Ohio Higher Education Department

**Mission Differentiation is Key.** All of the states in this study recognized the importance of mission differentiation as a key component for successful PF policy. This was closely tied to an acknowledgement of the diversity of institutions and their student populations, but also the ways in which PF policies can support (or impede) efforts to support access and completion for historically underrepresented and/or marginalized students. However, the ways that states acknowledged and address mission differentiation in PF policy varied. For example, in Illinois, mission differentiation was so important that IBHE and ICCB created different policies for each sectors and, within each sector, the PF policies considered institutional differences. Both IBHE and ICCB explained the importance of differentiation by sector, as well as the challenges of creating a policy that addresses all institutions and unique populations. As the representative for the IBHE explained:

*The challenge was developing a model that allocated performance equitably across 12 totally different unique institutions and in a way that didn't advantage some or disadvantage others. That was the really difficult part . . . how can we put something on the table.* –Staff member, Illinois Board of Higher Education

Likewise, an ICCB representative discussed the intricacy of addressing institutional differences in the community college sector:

*A college that doesn't have a lot at-risk students [isn't] gonna earn as much in that category as somebody who has a lot of students in that category, but you still have to succeed. . . . Maybe you have a student who didn't get their associate's degree, but what they wanted, their whole purpose of going to a community college was to transfer to a four-year institution. That's considered a success. Then, we track them*

*through graduation at the four-year. Then, developmental advancement is for either students who come in that are not college-level, so they need remediation. . . . We break them up into these six categories . . . I would say the best way to describe it is six pots of money, and everybody competes in each one of those. Everybody goes into each of those. You can do better in one pot than another.* –Senior member, Illinois Community College Board

This level of differentiation is not just at the level of institutional type, but also extends to setting and mission. For example, the Senior Member of the Illinois Community College Board quoted above explained that the ICCB set particular benchmarks for different areas according to the institution’s status as rural or urban and the number of completions they would be expected to have based on population size and type. She also explained why mission differentiation was so important for different sectors of higher education in Illinois, especially when considering the different mission and populations of four- and two-year sectors. As she noted:

*Ours is very different from the four-years in that we have a very different view. We can’t really look at and say our performance is gonna be all about completions. The other piece of it is we have a lot of people who come here and don’t complete an associate’s degree because they might have to stay an extra semester, so they move on to get their bachelor’s degree, and we don’t look at that as a failure. We can’t necessarily tie everything to a completion. The other piece is we can’t tie it to time to degree or certificate, because our student population is more part-time students than full-time students, so you can’t force a person who has to work full-time and stay, “Hey, we gotta get you in and out of here to get some performance.”* –Senior member, Illinois Community College Board

Some may argue that the above statement is problematic because it suggests there is no performance measure. It is more about what cannot or should not be measured than what should and that this type of thinking is what led to the creation of state PF frameworks.

In Kansas, there is also clear differentiation by sector. The state has a separate PF plan and metrics for three types of colleges—research universities, comprehensive universities and colleges, and community and technical colleges. (It is important to note the Kansas representatives for this study emphasized that no new dollars have been allocated for the research or comprehensive university sectors through PF since 2009. This means that although PF policies do try to differentiate by sector, they are currently defunct at the university level.)

Ohio reflected a clear differentiation between the university and community college sector due to differing missions and student populations. This differentiation of institutional metrics also extended to the state’s sole public HBCU. This differentiation, especially in regards to the HBCU is closely tied to considerations of access and underrepresented students of color. As one Ohio official explained:

*At our community colleges, it is also the successful transfer of community college students to a four year institution. We recognize that for our community colleges,*

*that is success for them. If they bring a student in, they get them to 12 credit hours, and then that student transfers to a four year institution, they should be rewarded for that. That's a metric. . . . Throughout that process, a theme that was at the forefront was making sure that the performance-based funding formula did not create a disincentive for our institutions to continue serving all Ohioans. We have a variety of open access, open admissions institutions. We have 37 public institutions of higher education in the state, all of whom serve vastly different student populations. We were charged with developing a formula that worked for all of those institutions.* –Staff member, Ohio Higher Education Department

**Learning from Research and Other States' Mistakes.** All of the state policy actors interviewed described their policy process as including considerations of the various research on PF, its drawbacks and unintended consequences, and steps that should be taken to mitigate negative outcomes. With the exception of Illinois, which outlines a focus on literature produced by Dougherty and Reddy (2013), it is not clear exactly what research each state used to inform their decisions.

One state actor involved in the articulation of Illinois' policy was particularly adamant about the negative press and literature on PF, and the trepidation of adopting a PF model at all. As he stated:

*Nobody was happy about this. Then the other problem you have, and this is very common: for those that lost money, then they would challenge and . . . the first thing they go do is go after the model. "Well, your model's bad." The second thing they do is go after the data, "Well, you're using bad data."* –Staff member, Illinois State Coordinating Board

This ultimately led this particular policy actor to approach the task of crafting the policy in a deliberate manner that would avoid the common pitfalls cited in the literature. This included tying the performance metrics to a very low funding allocation of 0.5%. There was an assumption that the policy would go through, but without any definitive plan. Accounts from the steering panel meetings indicate that several people, including the Business Roundtable representative and the IBHE Board Chair, argued the allocation needed to be higher from the outset. They were dissuaded and agreed to initially test PF at a low funding level, with the assumption that it would be increased later. Others were not so sure of this assumption and were confident that PF would not be increased or effective at its low allocation rate. As one represented noted:

*I'm a big believer in piloting things. The intent was to do this on a small a scale as possible till we got it right because if you use half a percent there's about six million dollars, then nobody would really be harmed that bad even if they lost funding.* –Staff member, Illinois State Coordinating Board

In Minnesota, the state's PF plan includes a discussion of other states' PF models, considerations that need to be made, and those questions state actors deliberated on given existing research. The plan reads:

*Many states have enacted funding models for higher education that include financial incentives for performance. . . . When developing performance outcome goals, there are several key policy questions that, if addressed, can help ensure effective implementation and achievement of the goal. While this publication is intended to focus on performance-based funding for higher education in Minnesota, where appropriate the notes that follow each policy question includes some discussion of implementation examples from other states. Questions and policy choices can be helpful in thinking about whether—and how—to establish a set of performance outcome goals. –(Gehring, 2016)*

The state policy actors in Ohio also were aware of research on potential negative effects of PF and the critiques of these policies including limited student access for underrepresented and underprepared students and institutions gaming the system. They explained how they planned the transition to avoid that sort of unfavorable feedback, stating:

*I think the impetus was just good public policy. . . . We want to disperse [funding] in a rational, logical way that subsidizes the cost of instruction while at the same time incentivizing the behaviors that we at the state know are in the best interest of all Ohioans. We knew that if we were gonna be transitioning from an enrollment-based to a performance-based funding formula, a logical criticism of that transition could be that it would be done at the expense of lower performing students. We wanted to do everything we possibly could to prevent that from occurring. –Senior member, Ohio Higher Education Department*

Ohio state policy actors took this a step further, not only planning in a way that reduced possible negative outcomes, but also continuing to monitor the formula and consult with institutions. In doing so, they continuously work to ensure the PF model produces the policy’s intended results, while avoiding unintended consequences. As one Ohio state policy actor explained:

*We engage in at least an annual structured dialogue with our institutions about the formula. On a biannual basis, we do a full, robust consultation process where we bring in institutional representatives. We spend many hours looking at the data and the actual—the way the formula’s operationalized, to make sure that people are all on the same page. Yeah, we are certainly aware of the need to monitor the formula and make sure that it’s doing what we intended it to do and open to suggestions if they seem to be appropriate. –Senior member, Ohio Higher Education Department*

**Use Data to Drive Policy.** All of the state policy actors expressed the value of data-driven policy and decision making. In fact, most of the state policy actors interviewed discussed the role of PF in providing more data for making allocations. They also discussed the role of data-based decision making in creating PF policies that would be fair and equitable. The Illinois policy actor responsible for creating the state’s PF policy discussed the valuable role of the Integrated Postsecondary Education Data System (IPEDS) data towards this end:



*As we put this together, I knew that it had to be transparent. In other words, everything that we did, they had to be able to see what we were doing and understand that it was fair to both and the data that we used to the extent possible was widely used data, IPEDS data. Everyone was using the same data. It was widely recognized, it was credible data, or it was their own data. In terms of the data, there was not a lot that they could argue about. Where we didn't have IPEDS data or where IPEDS data was insufficient, in some cases we used data that we had, which was information provided by the institutions themselves or we would survey the institutions to get the data to put into the model. —Staff member, Illinois State Coordinating Board*

It was also noted that using IPEDS was a practical decision, in that it was difficult to manipulate IPEDS. IPEDS data also limits the types of metrics available and is valuable for 4-year reporting, but problematic for 2-year reporting. This may be part of the reason the ICCB representative expressed concern about PF focus on completion and failure to recognize the work of community colleges. For the community college sector at the state level in Illinois, there is even more emphasis on using data. The representative from that sector described their efforts to create a specialized data book for tracking and data-driven decision making. As she explained:

*[W]e have a data book that tracks all kinds of pieces of data. Completion—we have completion rates in there. Actually, our data dates back to the beginning of the community college system, which was in the 1960s. In Illinois, we have the most robust data system. You can get on our website, and then [one of our colleagues here] is in charge of policy studies, but we already are involved in the National Reporting Service. We've got some Complete College America stuff out there, all kinds of analytical tools. —Senior member, Illinois Community College Board*

Despite this statement, it is unclear how much of these data are available to the institutions or to researchers at institutions who report the data.

Where Kansas' university PF program is defunct, the state's PF plans and overall goals related to higher education, at least symbolically, are steeped in past and current data trends. For example the Kansas Foresight 2020 higher education plan states, "In addition to tracking enrollment, the Board seeks to increase the number of these students who transition to a postsecondary institution within three years of enrollment" (Kansas Foresight 2020, 2016).

In Ohio, the state actors described how the long-standing PF policy has actually been a resource for data-driven decision making related to the higher education system. Data derived from the PF model provide a better understanding of what needs to be refined or improved with the state's evolving PF policies. As one state actor explained:

*We, in Ohio, I think we benefit by virtue of having been involved in performance-based funding for a number of years. We've been able to kind of see what works and what doesn't. For this particular model, we did rely on [consultants] not to get this*

*particular framework, but they certainly supported it and were able to kind of affirm the direction we were thinking of going from a national standpoint. –Liaison to the agency in the administration with the legislature*

Minnesota's PF plan also emphasizes the importance of data in its PF model and decision making. As one participant noted:

*Establishing a clear and consistent set of indicators and definitions at the time a performance goal is created . . . ensures that the systems measure their own progress using agreed-upon data, and that the data have been subject to external review and scrutiny. A performance goal related to enrollment or graduation rates . . . may rely on data that the institution already has available to it in a useful form.*

–Administrator, Minnesota State Higher Education

Taken together, the logic principles described above demonstrate that states are, at the very least, thinking and talking about how diversity and equity should be supported when designing PF policies. Each of these principles holds potential to support strengthening diversity policy, however, none of them necessarily lead to an explicit directive that guides and incentivizes institutions to prioritize diversity. Previous scholarship has noted that state policymakers often use vague language that fails to adequately and directly address racial equity (Witham, Chase, Bensimon, Hanson, & Longanecker, 2015). Bensimon, Dowd, and Witham (2016) propose that if policy truly means to address equity, it must be clear in its language and goals as well as provide guidance for how to address equity particularly when addressing race. Consequently, the next phase of my critical review specifically assesses the language of the PF models in each state for the ways in which these models address diversity.

## Targeting Diversity

Illinois, Minnesota, and Ohio, each have specific language and/or metrics and weights that address diversity in its state PF plan. This effort to address diversity is a direct extension of state governmental logic principle that upholds diversity as a state value and goal. In some states, the logic principle of valuing diversity was closely related to that of mission differentiation. Some states value the unique missions and populations of different institutions and make agreements with institutions in ways that affirm access and retention for different populations. Performance funding policymakers in Illinois and Minnesota expressed that they value diversity and saw the role that particular institutions play in supporting the state's diversity goals. As a state actor in Minnesota explained:

*The first performance goal for the University of Minnesota was to increase by at least one percent the four-year, five-year, or six-year undergraduate graduation rate for students of color system-wide at the University of Minnesota. Then, for the state colleges and universities, it was phrased as, "Increase by at least four percent in Fiscal Year 2015 compared to Fiscal Year 2008 degrees, diplomas and certificates conferred." Oh, that one is just diplomas. I don't know if we had one for—that's related to diversity for the State College and Universities, actually. –Government research analyst, Minnesota Legislature*

In both Illinois and Ohio there was also evidence of three logic principles at work - valuing diversity, mission differentiation, and learning from the research. These three principles appear to be operating together to create a general “do no harm” approach to supporting institutions that help the state fulfill its diversity goals. As a state representative from Ohio explained:

*I think from the outset, we're recognizing that there were a lot of institutions that had a very strong access mission and served populations—I think coming into that was this almost a do no harm mentality . . . I think everybody recognized that we didn't want to increase completion at the cost of access. That really made a big deal.*  
—Liaison, Ohio Legislature

Again, in Illinois, the state policy actor designing the policy was careful not to harm institutions and their students when crafting the state's PF model:

*Everyone was very concerned that this was not just a report we were gonna put on the shelf; this was real money that would impact them. The challenge was developing a model that allocated performance equitably across 12 totally different unique institutions and in a way that didn't advantage some or disadvantage other. . . . We [have] two Illinois. You have those that do well, those that don't do well. We're trying to serve our underserved population and that's exactly the opposite of what we want them to do. We want them to pay more attention to those students and help them get through to completion.* —Staff member, Illinois State Coordinating Board

The logic of data-driven decision making as it tied to the value of diversity and mission differentiation became evident when state actors discussed how they chose particular metrics based on data to support the state's value of diversity. For example, in Illinois, one community college representative described the PF model's focus on “at-risk” students and how it addresses all three of these logic principles:

*Our diversity piece is called the at-risk students, and at-risk students are defined as either economically disadvantaged or enrolled in remedial courses. We use Pell eligibility to determine the economic disadvantages. We don't necessarily break out minority students. [We] decided that we were more looking at it as an economical disadvantage, and also, if you come in and you're below college level with your high school degree, but you tested really low, we looked at those as—we define them as at-risk students. In the city of Chicago, most of those students are gonna be minority students, but in southern Illinois, not necessarily.* —Senior member, Illinois Community College Board

This statement alludes that PF is replicating diversity in the state, which could possibly also be seen as replicating inequities in the state.

In Minnesota, the logic principles of valuing diversity, mission differentiation, and data-driven decision making can be seen in the way the PF policy targets developmental courses. As one Minnesota representative explained:

*We had a goal . . . related to the number of students that received developmental education. . . . One of the goals we set for them was—for the State Colleges and Universities system—was to decrease by ten percent the head-count of students enrolled in developmental courses. I think that when . . . it was discussed in committee, I guess, that students of color are more likely to be assigned to developmental education courses, and that limits their ability to graduate on time and to retain Pell Grants on their grant funding.* –Government research analyst, Minnesota Legislature

Interestingly, in Kansas, the ways in which diversity are addressed are found in the institutional specific contracts, rather than within the overall state model. Some of the PF agreements between the state and universities explicitly outline the ways in which diversity will be prioritized. For example, Kansas State University has the following metric outlined in their PF agreement with the state:

*Indicator 5: Increase number of historically underrepresented students receiving degrees. This indicator is the count of degrees awarded to students from historically underrepresented groups during the year. The count includes both graduate and undergraduate degrees. Diversity is one of the common elements of K-State 2025, and it is integrated into all seven themes in K- State 2025. Thus, we are very interested in tracking our progress in this area. Underrepresented groups include Blacks, Hispanics, Native Americans, Hawaiians/Pacific Islanders, and Multiracial. . . . The indicator is an assessment of our ultimate success in helping the students to degree completion.* (Kansas State University Performance Agreement 2014-2016, 2014)

This indicates that even if diversity is not mentioned or required, some universities will still prioritize the issue.

## Discussion

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The focus on the ways that state policy is conceptualized and constructed can lend insight into the way policy communicates (or does not communicate) state values and goals. This, in turn, will help begin a conversation about implementation and impacts, as well as serve as a basis for future research on the connections between state policy intentions and impacts on institutions, particularly as it pertains to diversity. In the literature of higher education, there are particular logics connected to the latest PF 2.0 policy. These logics include accountability, efficiency, improved performance, shifting from inputs to outputs in terms of completions, and taking a hands off approach to incentivizing institutional behavior (Dougherty et al., 2016; Li, & Zumeta, 2016).

This study explored the logic principles of four Midwestern states as they relate to PF policy. These logic principles include valuing diversity, mission differentiation, learning from the mistakes of other states and research on PF policy, and data-driven decision making. The

findings indicate that state actors representing Illinois, Ohio, and Minnesota hold strong beliefs about diversity, particularly as they relate to access and equity for students of color and students from low socio-economic backgrounds. Although Kansas state PF policy does not explicitly address diversity in the state model, individual contracts between the state higher education board and institutions within Kansas indicate that diversity is a logic principle for some institutions. This study also demonstrates that different logic principles can converge to address diversity in PF policy. Whereas these logic principles have a bearing on how diversity is addressed in state policy, it is still important to ask whether these logic principles and the resulting framing of diversity in PF policy actually incentivize institutional behavior and produce improvements with regard to diversity.

The most surprising finding in this study, however, is that logic principles can be used to circumvent policy mandates to protect dominant values. For example, in Kansas, the absence of the logic principle of diversity in state policy, coupled with the emphasis on mission differentiation, may have provided an opportunity for the state's colleges and universities to tailor their institutional agreements with the state so that diversity can be prioritized. This may indicate that if there is flexibility in the state plans, colleges and universities might exercise similar logic principles in their goal setting.

## State Policy Implications

- State policymakers and actors should engage in conscious reflection about the logic principles that guide their policy making. Logic principles can be teased out of state policy, but engaging in deliberate and conscious reflection about what values states and their constituents prioritize can go a long way towards clear policy making, particular as it relates to diversity and underserved populations
- If a state really values diversity, it should make this clear in PF policy and not leave it up to institutions to prioritize.
- If there are questions about the potential benefits of PF policy, then subversive tactics may inhibit real conversation about state policy. In Illinois in particular, it is clear that those responsible for PF policy design are skeptical about the policy's ability to positively impact institutional change. This is an opportunity for real conversation, but none has taken place.

## Recommendations for Further Research

- More studies need to be conducted on the impact of PF policies in Illinois and other Midwestern states with regard to diversity. To date, there are few studies that examine how specific state policies designed to support or target diversity affect institutional access, diversity, inclusion, and outcomes.
- More studies need to be conducted on policy formation and policymaker decision making about the language and design of state policies created to incentivize and increase diversity and inclusion.

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