



National Center for Higher Education Management Systems

Outcomes-Based Funding: Taking Stock

by
Dennis P. Jones
for
Complete College America

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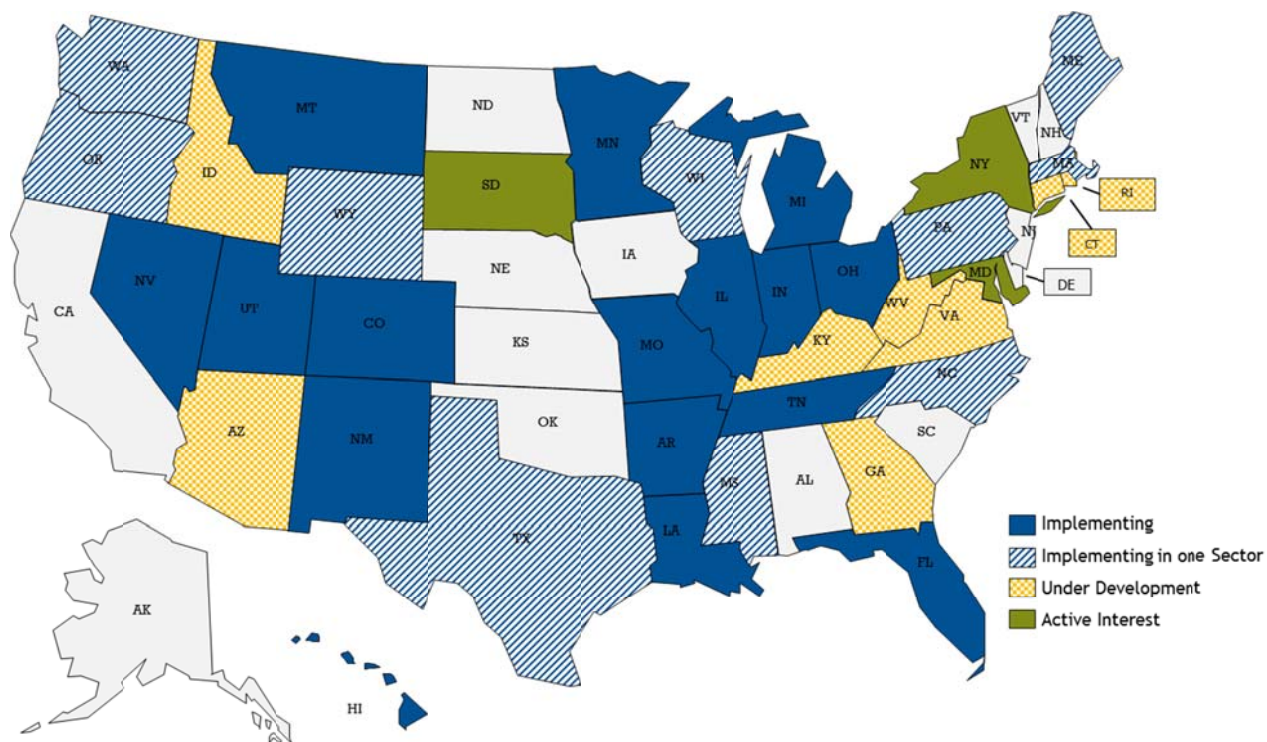
Outcomes-Based Funding: Taking Stock

This is the third paper on the topic of outcomes-based funding that I have written for Complete College America. In the first, *Performance Funding: From Idea to Action* (2011), I proposed a set of design and implementation principles intended to help the increasing number of states involved in developing and implementing their own outcomes-based funding models. The contents of that paper were based largely on the experiences of the early adopting states, Indiana and Tennessee being the primary examples.

In the second, *Outcomes-Based Funding: The Wave of Implementation* (2013), I described the features of models in the rapidly increasing number of implementing states and indicated the extent to which these models conformed to the design and implementation principles presented in the first paper in the series. In this paper, I also explained the importance of the changed labels applied to such models – the shift from “performance funding” to “outcomes-based funding.”

This paper documents the continued spread of adoption with an increased focus in the field on whether outcomes are equitable across populations, with states disaggregating results by race, ethnicity, age and income and reporting those results publicly. As shown in Figure 1, half the states have now implemented outcomes-based funding in at least one sector of higher education. The majority of implementing states apply their models to the allocation of resources to all public institutions, two- and four-year.

Figure 1. The Wave of Implementation



The additional purposes of this paper are threefold:

1. To reinforce the point that outcomes-based funding is but one component of the overall financing model for higher education in a state. The power of outcomes-based funding models is enhanced if the other components are designed so as to strengthen the alignment between funding streams and desired results.

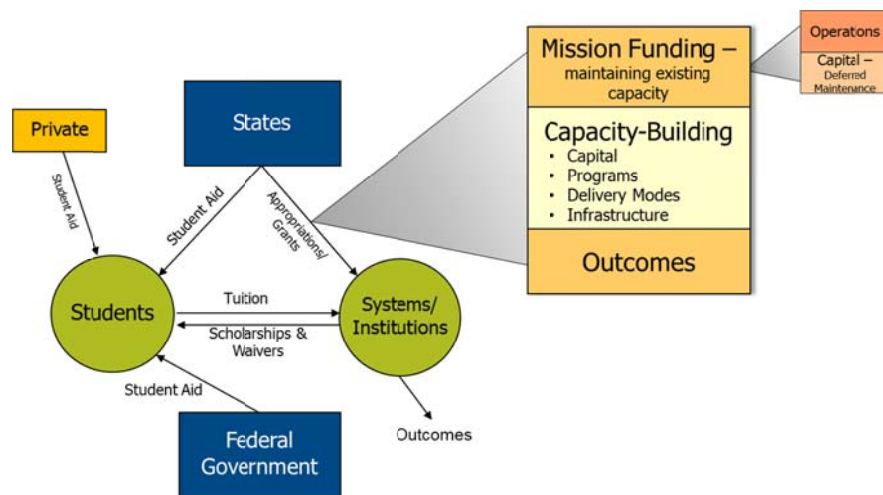
2. To once again revisit the lists of design and implementation principles presented in the earlier document and (slightly) revise them in light of states' actions and experience.
3. To describe the models that are being employed in implementing states and to assess the extent of conformance with the proffered sets of design and implementation principles. This for the purpose of identifying areas of non-conformance to catalogue potential weaknesses in models and questioning the applicability of certain of the principles.

As with earlier versions of the document, the ultimate objective is to provide clear, straightforward guidance to policymakers who are searching for ways to better align their approaches to resource allocation with the educational outcomes that are of highest priority in their state.

Outcomes-Based Funding in the Context of Broader Finance Policy

Figure 2 represents a simplified picture of the funding streams that support the instructional activities of educational institutions and their students.

Figure 2. Components of State Funding of Institutions



This diagram serves as the basis for making several important points about the context within which outcomes-based funding models must be designed and developed. Chief among them are the following:

1. State higher education finance policy is comprised of several distinct elements. These include
 - Direct state support to institutions for
 - Base funding for general operations and maintenance of current assets/capacity
 - Outcomes produced
 - Additions to institutional capacity
 - State support to students in the form of student financial aid
 - Tuition policy that seeks to limit the rates of increases
 - Policies that affect institutional student aid/tuition waivers – policies that either mandate a proportion of tuition revenues be devoted to student aid or that put limits on the amount of institutional revenues that can be used for this purpose.

2. Public postsecondary education institutions get almost all of their funding for general operating purposes from only two sources – students and state (and in some cases, local) governments. The greater the proportion of funding received from students the less leverage on institutional behavior states can exert through allocation of their resources.
3. Outcomes-based funding is but one component of state support for educational institutions; other elements are “base” funding and funding for capital purposes. Of these, the outcomes-based funding component is typically the smallest. In the overall scheme of institutional funding (tuition and state appropriations) the power of outcomes-based funding can easily be diluted to the point of irrelevancy.

While outcomes-based funding is the primary topic of this paper, a central point is that the other elements of state finance policy must reinforce the intentionality of outcomes-based funding or the implementation of this particular lever will come to naught. Without digressing into a long discussion about how other levers might be aligned, suffice it to say that there are ways as indicated in the following examples:

- Allocating base funds on the basis of credits completed, not credits for which students enroll. This creates incentives for institutions to adopt academic policies and procedures that focus on student success.
- Devising tuition and student financial aid policies that work together to ensure college affordability for those students most vulnerable to the possibility of lack of resources standing in the way of retention and completion.
- Using investment funds – historically devoted to capital projects – to support the building of capacity to meet student needs. This might include expansion of program capacity in high demand fields; creating (or buying) software for student advising, degree audits, etc.; creating new program delivery models (online, competency-based, etc.); and creating other assets demonstrably tied to the objectives established as priorities by the state.

To sum it up, outcomes-based funding, well-designed and well-implemented, is an important tool in promoting the achievement of state goals; the power of the tool is largely dependent on the extent to which outcomes-based funding is reinforced by the intentional design of the other components of state finance policy.

Design and Implementation Principles

To be effective, any outcomes-based funding model must be well-designed – it promotes pursuit of state priorities – and well implemented – it is successfully put into practice as designed. A poorly designed model, even if well executed, will not yield the desired results. Similarly, a well-designed model, if poorly executed, will fail to deliver the intended results. In this section, principles of good design and effective implementation are presented.

Design Principles

As a result of experiences in the states that have implemented outcomes-based funding, a number of common threads regarding such models have emerged. Because they have arisen out of independent processes in various states and because they are inherently sensible, they are presented here as principles to be used in the design stages.

1. Recognize that tying funding to achievement of particular objectives is not a new idea. It is the objectives being prioritized that are new, not the notion of paying for performance. All funding models create incentives for institutional behavior. In the past, institutions have been rewarded for increasing access and enrolling more students. Enrollment-driven formulas became the norm, with the access objective so strongly embedded in financing policy and institutional cultures that change is now difficult. But access is no longer the sole – or even dominant – goal in many states. Student success and completion of academic programs (increased degree production) are on the ascendancy as state priorities. Over the years decisionmakers and analysts have become very good at devising ways to appropriately reward improvements in student access. The task now is to become equally adept at rewarding a different set of goals. The current wave of outcomes-based funding is a variation on a well-practiced theme, not a completely new idea. Since the first line of defense in resistance to change is an argument that tying funding to goals is something new and untested, a reminder of a long and successful history is a useful starting point.
2. Get agreement on goals before attempting to implement outcomes-based funding. Resource allocation models are means to an end, not ends unto themselves. If there is not a clear statement of goals that has broad bipartisan acceptance, there is almost no chance of creating an outcomes-based funding model that can last. It is well worth the time and effort to get broad consensus around a “public agenda” for the state before embarking on design of an outcomes-based based funding model. The public agenda should state a limited set of goals that:
 - Are tailored to the needs of the state, not borrowed from elsewhere
 - Focus on the needs of the state and its citizens, not the institutions of higher education

In the absence of a public agenda, the adoption of which precedes attempts to create an outcomes-based approach to funding, the design and implementation of the allocation model likely will be seriously compromised. The model will either

- Be designed in such a way as to do what is easy (e.g. incorporating factors for which data are readily available) and thereby reinforce the status quo, or
- Reflect sound principles but do so in the absence of the political support necessary for adoption and on-going success.

Goals need to be the driving force for outcomes-based funding, not a rhetorical afterthought.

Tennessee and Indiana provide illustrations of good practice in this regard. In both cases, a well-regarded plan was put in place and gave direction to the specifics of the funding model.

3. Include all public institutions in the model. In recent years, many of the outcomes-based models that have been implemented have included only one segment of the institutions within the state – the state colleges in Pennsylvania, two-year institutions in Washington, and four-year institutions in Oregon, Maine, and Mississippi. These actions are to be commended, but they are no substitute for more inclusive approaches. Achieving statewide goals requires contributions from all institutions, not just institutions in one sector. Sector-by-sector approaches have the disadvantages of:

- Sidestepping the need for a statewide public agenda and foregoing the political consensus that can be constructed around such an agenda.
- Promoting system, not state, goals.
- Ignoring goals that take the concerted efforts of institutions in all sectors (e.g., no single sector can eliminate statewide attainment gaps between whites and minorities).

While specifics of the funding model must vary by sector, they should be developed within a statewide framework. Having said this, in the absence of state-level initiative, system-level efforts should be encouraged and viewed as building blocks for future statewide actions.

4. Design the model in such a way that it reflects and reinforces mission differentiation.

The current focus nationally is on education attainment of the population and the associated encouragement for institutions to increase the numbers of degrees and employer-recognized certificates produced. In most states this is a necessary and important goal, but is likely not the only one of importance to the state. Others frequently found include:

- Innovations that expand and broaden the state's economy
- Production of graduate and professional degrees in selected fields such as STEM or health care
- Improvements to K-12 education
- Development of a workforce for high-need occupations
- Improved institutional productivity
- Maintain affordability for students & taxpayers

While all recently implemented outcomes-based funding models have incentives for increased degree completion as a central feature, they all contain some of these other components as well. This is important for several reasons:

- States legitimately have multiple goals; focusing on only one is ultimately a disservice to the state.
- Too narrow a focus will inevitably lead to unwanted institutional behaviors. If the sole objective is increased degree production, research universities will have every incentive to dig deeper into their applicant pool, enroll more students than deemed desirable (or sustainable) by policymakers, and increase competition with teaching oriented institutions even further. If the focus were to be on innovation and economic development, the incentive would be for all institutions to expand efforts and fuel the tendency toward mission creep to even more unhealthy levels.
- All institutions need an opportunity to benefit by doing their assigned mission well, not changing their stripes and seeking to become a different type of institution. If some segments of institutions see that the deck is stacked against them, they will rally supporters in the legislature and elsewhere to oppose adoption and implementation of the model.

Illinois is a good example of a state whose public agenda is both well-focused on the needs of the state while simultaneously calling on the different capacities of different kinds of

institutions to achieve that agenda. (See http://www.ibhe.state.il.us/masterPlanning/materials/070109_PublicAgenda.pdf)

Tennessee's model is particularly good at reflecting different institutional missions by having different models for its two-year and four-year institutions and, within the four-year model, placing different weights on the variables that drive the model. As a result, it rewards:

- The research universities for producing doctoral and professional degrees and successfully competing for more research funding
- The comprehensive institutions for producing masters and baccalaureate degrees
- The community college for producing associate degrees and certificates, transferring students and reaching specified "momentum points" (remedial success, dual enrollment, and job placement, for example).

See <http://www.state.tn.us/thec/>.

An option is to create different pools of resources for different kinds of institutions – and ensure that institutions compete for resources in only one pool. At one point, Ohio used this strategy, with separate models for its main campuses, regional campuses, and community colleges. This approach has the benefit of reinforcing mission differentiation. The down side is that it locks in the distribution of funding across sectors making it difficult to shift funds across sectors without legislative action. Politics make it particularly difficult to move funds from flagship institutions to those open access institutions that will have to be relied upon to make the greatest contribution to improved educational attainments.

5. Include provisions that reward success in serving underrepresented populations. One of the major concerns voiced about outcomes-based funding, especially when the goal is to produce more graduates, is that institutions will seek to enroll only those students most likely to succeed and ignore students who are at risk academically, economically, or otherwise. To counter this possibility most states that have instituted outcomes-based funding give extra weight for graduating students from at-risk populations. The weights vary from 40% (in ??) to 100% (in Tennessee). The definitions of "at-risk" differ considerably from state to state. Examples include:

- Low income – usually measured as Pell or state grant eligible (Tennessee, Ohio)
- African American and Latino populations
- Adults (Tennessee)
- Academically at-risk – below national average on ACT/SAT and those with a GED

The beauty of the formulation that gives added weight to graduates with specified characteristics is its flexibility; flexible in the weights attached and in the characteristics of students identified as priorities for extra attention. While equity is a stand-alone metric, all other outcomes should be examined by race and ethnicity with an eye toward closing achievement gaps in each.

6. Include provisions that reward progress as well as ultimate success (degree completion). This is especially important in the early implementation stages of outcomes-based funding. Degree production is difficult to increase in a single year; a mechanism that rewards improvement in the shorter term is a useful and appropriate tool. It removes an argument

against implementation and, more importantly, it helps students succeed by rewarding institutions who help students make step-by-step progress.

States that have implemented outcomes-based funding have pointed the way to different approaches to accomplishing this objective. They include:

- Providing rewards to institutions on the basis of number of students who complete 24 credits, 48 credits, 72 credits (Tennessee).
- Valuing completed credits at the upper-division level at a higher rate than at the lower division level (Ohio, Nevada).
- Rewarding institutions for students achieving certain momentum points – completing developmental education and succeeding in the first college-level courses, completing 15 credits, 30 credits, etc. (Washington community colleges).

It is possible to make this an inclusive provision, but it is also possible to confine this provision to at-risk students.

As will be noted later in this document – in the section on implementation – it is appropriate to view progress metrics as transitional in nature, being phased out after sufficient time has elapsed to allow improvements that lead to increases in numbers of degrees granted to be effective. The exception is community colleges where recognition of their transfer function should be incorporated in an explicit way on an ongoing-basis.

7. Limit the categories of outcomes to be rewarded. A frequent urge is to create an ever-expanding list of variables that can serve as drivers of the outcomes-based funding model; all institutions will press for inclusion of a factor that will benefit them. It must be remembered that outcomes-based funding should reward contributions to attainment of state, not institutional, goals. State policymakers are counseled to keep the variables attached to each type of institutions to no more than a half dozen. One of the primary purposes of outcomes-based funding is to focus institutional attention on key state priorities. If state policymakers can't limit the number of priorities, they are providing insufficient leadership and the message sent to institutions will be garbled at best. Success will be achieved only if the message is clear.
8. Use metrics that are unambiguous and difficult to game. Numbers of graduates is an unambiguous measure; students either graduated or they didn't. Graduation rates on the other hand are metrics fraught with ambiguities. There are all kinds of definitional problems associated with determining rates. Furthermore, institutions can "game" improvements in graduation rates; rates can be improved by graduating fewer, better-prepared students. This doesn't serve the overall goal – raising education attainment by graduating more students.

Regardless of the goal being pursued, it is always useful to test the metrics that will serve as drivers of the calculation by asking two questions:

- If an institution sought to maximize their benefit on each metric what would they do? What is the easiest way to "win"?
- Is the behavior elicited the intended behavior?

If the answer to the second question is "no", go back to the drawing board; the chosen metrics are constructed incorrectly.

9. Avoid designs that reward institutions only as they attain a fixed goal. Creating conditions under which institutions can be rewarded only if they reach a predetermined level of outcomes is generally a bad idea. Either the goal will be set too low in effort to ensure success by at least a few institutions, or the goal will be viewed as unattainable and institutions will give up before they make a concerted effort to succeed. Better each institution's current outcomes be established as the baseline and funds allocated on the basis of year over year improvements from that baseline.
10. Address the quality issue. The first attack on outcomes-based funding will come from those who will argue that such funding promotes a reduction in quality – institutions can easily graduate more students if they lower their standards and become diploma mills. While faculty, as the guardians of academic integrity, are unlikely to allow this scenario to play out, the concern about quality is real and should be addressed head-on. The country and states not only need more degree-holders, they need degree holders with higher, not lower, levels of knowledge and skills. Two states (Arkansas and Missouri) have explicitly included a quality metric in their funding models. Other states (Nevada is a prime example) are putting in place faculty-led processes intended to produce a set of metrics to track quality levels over time and potentially be incorporated into the funding model. This principle is so important that it is being expanded in this version of the document to recommend against constructing an outcomes-based funding model on top of a base funding model that is widely viewed as badly flawed and yielding inequitable results. In this instance the recommendation is to design a new model incorporating both base and outcomes features. This is the approach taken in Colorado, Nevada, and Massachusetts, for example.
11. As was argued earlier in this document, recognize that outcomes-based funding is but one piece of the overall financing model for any institution of higher education, this is true even in Tennessee where 95% of the state appropriation to institutions is allocated on the basis of outcomes.

The bottom line message is “don’t create an outcomes-based funding model and declare the financing policy work to be done.” Among the items of unfinished business are steps needed to align tuition policy and the other elements of the state funding process with degree completion and other state goals. Equally important is successfully implementing the outcomes-based funding model once designed. Some principles of good practice in this regard are presented in the next section.

Implementation Principles

Even the best designed outcomes-based funding model is doomed to failure if not thoughtfully implemented. And a key to successful implementation is involvement of the major stakeholders from the very beginning of the design process.

. It’s not just adherence to sound principles; but the environment in which they’re deployed that matters. Institutions are understandably interested in the means by which state funds are distributed. For both technical and political reasons it is important to have institutional representatives at the table at every step. Most have knowledge and experience that will improve the final product. Equally important, their involvement improves the chances of achieving a model that has broad support.

But institutional representatives are not the only voices to be heard during the development process. Since sustained implementation depends on broad political support, it is important

to keep key legislative and executive branch staff in the loop as a way of ensuring that objections are heard earlier rather than later. And while the political cultures of most states would not have representatives of the business community as full participants in the design process, their support of the notion of pay for outcomes and of the kinds of outcomes that should be rewarded is often critical.

More specific suggestions regarding implementation practices include:

12. Make the outcomes-based funding pool large enough to command attention.
Controversy almost always surrounds the determination of the proportion of the state appropriation to be allocated on the basis of outcomes. Institutions typically argue for a small percentage; there is comfort in business as usual. Policymakers take the opposite position; more is better. There is no proven right answer and different states have reached different conclusions in this regard. Tennessee for years allocated 5.4% of the state appropriation on the basis of performance. Under the new Tennessee model, nearly all of the allocation is outcome based. Legislation in both Colorado and Louisiana sets the amount at 25%. Indiana now has one of the lower amounts at 6.5%. As a general principal, the smaller the share of institutional resources derived from the state the greater the percentage of state funds that should be directed toward outcomes. To do otherwise is to render such funding impotent. Given the high institutional dependence on tuition revenues that has emerged as the new normal, a target of at least 25% of state funding being devoted to outcomes is reasonable. In a state where institutions get half their revenues from tuition, this level of state funding represents only 12.5% of institutional revenues.
13. Don't wait for new money. Given the economic outlook for most states, funding the outcomes component of the allocation model only with new resources is a recipe for indefinite postponement. Because pursuit of state goals is such an imperative, delay in attaching outcomes requirements to some part of the allocation sends entirely the wrong message.
14. Include a phase-in provision. Don't try to do it all at once. If the ultimate size of the outcomes fund is intended to be 25%, consider phasing it in at the rate of 5% over five years – 5% in year one, 10% at year two, etc. The objective should be to get to the target level as fast as possible without making the changes so large that institutions can't adjust.
15. Employ stop-loss, not hold-harmless, provisions. Institutions should not be held harmless from cuts to their allocations if they are not contributing to state goals. At the same time, cuts should not be so large as to jeopardize the stability of the institution. One way to accomplish this objective is through a "stop-loss" provision that establishes a maximum cut that can be imposed in any one year – e.g., 2% the first year, another 2% the second, etc. At some point – four or five years from the point of implementation – the stop-loss provision should be sun-setted and the outcomes-based funding model should function without artificial constraint.
16. Continue outcomes-based funding in both good times and bad. If pay for outcomes is intended to reward institutions for addressing the most critical issues facing the state, it is hard to see how postponing its implementation could be a good idea. Funds that address the issues identified as being most important should be the last dollars cut, not the first. If the overall state appropriation is reduced, the strategy should be to allocate outcomes-

based funding dollars first and then make cuts. The net effect will be to cut the high performers less than those making a lesser contribution to state goals.

17. Incorporate intermediate/progress factors in the early years of implementation. For reasons discussed earlier in this paper, it is important to incorporate factors that can be affected in the short run. Progress metrics fit this bill. But at the end of the day, it is increased outcomes (in the form of degrees and certificates) that is the objective. As a result, progress metrics should be considered as transition devices and phased out after five or six years. If there is an exception, it should be for community colleges where continued focus on step-by-step progress for a typically at-risk student population can be justified.

The Road Blocks

Those not fully sold on outcomes-based funding will raise predictable counter arguments. Among them:

- Outcome-based funding has been tried before with limited, if any, success. Why should this incarnation of an old idea be any more successful than previous cycles? There are several critical differences this time around. First, as was noted earlier, funding tied to results proved to be exceedingly successful when the intended result was improved access and increased enrollments – so successful that enrollment-driven formulas are hard to dislodge as the normal way of doing business. Second, the driving force is now a state’s public agenda; it is increasingly seen as a tool to achieve key goals not as a device for talking the legislature into providing marginal new dollars. As a result, it derives its power from a consensus about priorities, not from promotion by a single persuasive leader or a group of self-interested proponents. Third, data systems are now much improved; it is possible to calculate metrics for important outcomes directly without relying on proxy measures. Finally, legislatures are raising the stakes; it’s no longer 2-5%, but 25%. It is much harder to ignore such programs than it was in times past. The issue is not whether funding tied to results works. Rather, the issue is whether the shift from access to access with success can be successfully made.
- What is the evidence that it has made a difference? It’s too early to judge in most cases, but there are some states in which implementation has resulted in higher performance.
 - In Tennessee, performance on the metrics included in their model has improved with few exceptions.
 - Similarly, Washington Community Colleges increased the number of momentum points achieved by 12% after initiation of a modest performance funding program.
- You have to restore base funding before setting aside funds for outcomes. This is perhaps the most common argument put forward by opponents of outcomes-based funding. The reality is that institutions are producing their current (baseline) level of outcomes with whatever resources they currently have at their disposal. It should be expected that any new resources lead to higher levels of outcomes, not the same level of outcomes at higher cost.

The Score Card on Implementation

In an effort to get a more complete picture of outcomes-based funding implementation, NCHEMS staff reviewed the models that have been deployed. Only those that actually have been implemented – those that have been used to distribute funds for the current fiscal year – were included in the review. The review covered not only those states in which outcomes-based funding has been applied

to all public institutions but those in which such funding models are being used in only one sector (e.g., the four-year institutions in Mississippi or the community colleges in Massachusetts). The results are presented in the appendix to this document.

The review material is organized in accordance with the list of principles presented in the document. Summary tables indicate the extent to which the models in place conform to the principles. This is a device for not only organizing the information, but also testing the list. The exercise proved useful. It provided a robust framework for organizing information and allowed description of key features of state programs. No features of models being implemented that suggested additions to the list of principles were discovered.

In scanning the summary charts, several points worth noting emerge:

- With few exceptions, outcomes-based funding models have been developed in the context of, and in alignment with, state (or System) goals.
- Almost all have provisions that allow for, and encourage, mission differentiation. The exceptions are models constructed for community colleges only. Community colleges are treated alike in all models.
- With few exceptions, the models recognize the importance of successfully serving underrepresented groups. There is considerable variation in the definition of “underrepresented” from state to state, but the characteristic most often reflected is “low-income” as determined by Pell eligibility.
- Only about half the states reward year-to-year improvement in the basic metrics. The rest use most recent year (or three-year averages) as the drivers.
- The majority of the states/Systems that use outcomes-based funding have moved to using completed credit hours rather than enrolled credit hours as the drivers in their base funding models.
- Only Tennessee and Missouri incorporate student learning/quality metrics into allocation algorithms. A small number of others are creating means for monitoring trends in quality metrics that will be used in parallel with their resource allocation models.
- The proportions of state funding being allocated in the basis of outcomes varies enormously from state to state ranging from 0.5% in Illinois to essentially 100% in Tennessee. In several states at the low end of the spectrum, the plans are to move to higher proportions in a stepwise fashion. In these cases, the normative ultimate target is 25%.
- States and Systems that have implemented outcomes-based funding, with few exceptions, have done so by carving the outcomes funding pool out of the base allocation. Only Oklahoma has a provision requiring that outcomes-based funding be implemented only if new funds are provided. The Massachusetts community colleges happened to get new funding (at least in part because they were moving ahead with the new funding model) but the commitment was to implement outcomes based funding even without additional funds.
- Whether or not states incorporate stop-loss provisions depends heavily on the size of the pool and the extent to which significant amounts of money would be reallocated based on formula implementation. Those states/systems that incorporated an outcomes-based component within the redesign of their overall approach (base plus outcomes) were primary

users of this feature. These include Nevada, the Massachusetts community colleges, and the Mississippi Institutions of Higher Learning.

If there is any observation that has emerged from this review (and not encompassed by the principles), it is that the models must be periodically adjusted to allow legitimate improvements. In some cases, change will be occasioned by the availability of new kinds of data. In other cases, changes are made when it becomes apparent that certain metrics don't make a difference or they don't accurately reflect the phenomenon of interest. In the end, it is important to be flexible – but only in the interests of better promoting goal achievement, not of eliminating reallocations and treating institutions “fairly” (interpreted as “equally”).

Figure 3 summarizes both design characteristics and implementation strategies for those outcomes-based funding mechanisms used to allocate state funds in FY 2014. Descriptive information for each implementing state/System is provided in the appendix.

Figure 3. Outcomes-based funding Design Mechanisms and Implementation Strategies by State

Principle		2. Goals	3. Inclusive	4. Mission Differentiation	5. Underserved Populations	6/7. Limited number of Program Metrics	8. Unambiguous	9. Cont. Imp.	10. Quality	11. Broad Alignment	12. Large Pool	13. Don't Wait	14. Phase-in	15. Stop-loss	16. Cont. in bad times
Arkansas		x	x	x	x	x	x	x	x		x	x	x		x
Colorado		x	x	x	x	x	x			x	x	x	x	x	x
Florida			x	x	x	x					x	x			x
Hawaii			x	x	x	x	x								
Illinois		x	x	x	x	x	x					x	x		x
Indiana		x	x	\	x	x	x	x		x	\	x			x
Louisiana		x	x	x				x		x	x	x		x	x
Maine	4-Yr			x	x	x	x					x	x	x	x
Massachusetts		x		x	x	x	x			2-yr	2-yr	x		x	x
Michigan			x	x		x					2-yr	x			x
Minnesota			x	x		x						x			x
Mississippi	4-Yr			x		x	x			x	x	x		x	x
Missouri		x	x	x		x	\	x	x		x				
Montana		x	x	x	x	x	x	x			x	x			x
Nevada		x	x	x	x	x	x		x	x	\	x	x	x	x
New Mexico		x	x	x	x	x	x			x		x			x
North Carolina	2-Year					x	x					x			x
Ohio		x	x	x	x	x	x			x	x	x			x
Oregon	4-Yr	x			x	x	x			x	x	x	x	x	x
Pennsylvania	4-Yr			x	x	x	x	x	P			x			x
Tennessee		x	x	x	x	x	x		x	x	x	x	x		x
Texas	2-Year	x		x		x	x				x	x			x
Utah		x	x		x	x	x					x			x
Washington	2-Yr				x	x	x					x			x
Wisconsin	Tech				x	x					x	x	x		x
Wyoming	2-year					x	x				x				x

Concluding Comments

Outcomes-based funding has moved into the mainstream of state-level higher education financing policy. Several states have thoughtfully fashioned approaches to allocation of resources in ways that link funding to achievement of state goals. As a result, there is a growing body of information about good practices regarding design and implementation of such financing models. This brief paper is an attempt to succinctly describe those practices. The field has advanced to the point that the

knowledge base regarding “how” to develop such systems is now in place. The issue now is one of political will, not technical know-how.

Appendix I. State Examples

Arkansas

(see URL: <http://www.adhe.edu/institutions/institutional-finance/higher-education-funding/>)

2. Goal – Double the number of college graduates in Arkansas by 2025
 3. Includes all public institutions
 4. Mission Differentiation reflected in
 - Different metrics for 2- and 4-year
 - Optional metrics to allow institutions to better reflect mission
 5. Underserved populations
 - Included as an optional measure for both 2- and 4-year institutions
 - Compensatory points
 - 2-year – Low income relative to enrollment
– Underprepared relative to enrollment
 - 4-year – Low income relative to enrollment
 - 6/7. Metrics – **4-year institutions**
 - Mandatory
 - BA credentials
 - All credentials – technical certificates and above
 - STEM credentials
 - Progression – Arkansas-developed measure
 - Optional
 - Course completion
 - High demand credentials
 - Minority student credentials
 - Non-traditional credentials
 - Remedial credentials
 - Regional economic need credentials
 - Transfer student credentials
 - Expenditures of Federal funds
 - Patents
 - Start-ups
 - Compensatory
 - Percent of undergraduate students receiving Pell
- 2-year institutions**
- Mandatory
 - Remedial course success
 - Non-remedial course success

Draft

-
- Progression – 18 hours or credential
 - Certificates of proficiency
 - Technical certificates
 - Associates degrees
 - Total credentials
 - Optional
 - STEM credentials
 - High-demand credentials
 - Workforce training – contact hours
 - Transfers – after 12 hours
 - Adult credentials
 - Minority credentials
 - Employment
10. Quality – an explicit list of metrics to monitor quality and ensure no diminution
11. Broad alignment: No – other 75% distributed on basis of enrolled credits.
12. Target is 25%, to be allocated on basis of outcomes – legislature capped at 10% until equity reached in base funding.
14. Phase in – designed to start at 5% and increase 5% per year until target of 25% is reached.
15. No stop-loss – but decrement based on a sliding scale – can lose full 5% only if failure on all 10 metrics.

Colorado

2. Goal – Well-developed through a broadly inclusive process. See http://higherred.colorado.gov/Publications/General/StrategicPlanning/MasterPlan2012/MasterPlan_Final.pdf
3. Includes all public institutions
4. Mission Differentiation accomplished by using different weighting factors within a single model
5. Additional weights provided for graduating students who are
 - Pell eligible
- 6/7. Metrics
 - Completion and transfer – with different weights applied to each type of credential
 - Bonus for STEM and Health
 - Retention – 25%, 50%, 75% of degree requirements (60 for 2-year and 120 for 4-year)
 - Productivity – credentials awarded relative to FTE enrollments
8. All are unambiguous counts
11. Broad alignment: Yes. Outcomes funding in Colorado is embedded in a broader financing model that also includes a base-funding component that rewards course completions and a mission component designed to reinforce mission distinctions.
12. Large pool: yes. Total performance funding component \$100 million in FY 17 – 90% completion/retention, 10% institution productivity.
15. There is a stop-loss provision in the model that prevents institutions from losing more than 5% of their allocation of state appropriations in any one year.

Florida

(see URL: https://www.floridacollegesystem.com/publications/performanc_funding.aspx)

2. Goals – No statewide goals. There are goals for each of the systems, the Florida College System and the University System of Florida.
3. Inclusive: yes – applies to all public institutions
4. Maintains mission differentiation by having different models for each of the two systems.
5. Underserved populations: Florida college system institutions get extra points for graduating Pell students.

6/7. Metrics – **4-year institutions**

- Percent of base graduates employed and/or continuing their education
- Median wages of Bachelor’s Graduates employed FT in Florida
- Average cost per baccalaureate degree
- Six-year graduation rates (FT & PT)
- Academic progress rate (2nd year retention with GPA above 2.0)
- Bachelor’s degrees awarded in areas of strategic emphasis
- Percent of undergraduates with a Pell grant
- Graduate degrees awarded in areas of strategic interest (all but New College – Freshmen in top 10% of Graduating HS class (New College only))
- Board of Governors choice
 - UF and FSU – a metric measuring faculty awards
 - New College – national ranking for institutional and program achievement
 - All others – percentage of students graduating without excess hours

2-year institutions

- Retention rates
 - Completion rates
 - Job placement/continuing education rates
 - Entry-level wages
8. Unambiguous: no. Several of the metrics require calculations that are open to abuse.
 10. Quality: no.
 11. Base funding not aligned with goals.
 12. Large pool: yes.
 15. Stop-loss: no.

Hawaii

2. Goals – There are no statewide goals for higher education. There are UH system-wide goals; these represent goals for all public institutions in the state. See <http://uhcc.hawaii.edu/OVPCC/budget/budgetExec.php>.
3. Inclusive: yes – applies to all public institutions
4. Mission differentiation achieved by having (slightly) different metrics for 2- and 4-year institutions.
5. Underserved populations: Yes, specific metrics associated with granting degrees to Native Hawaiian and Pell-eligible students.
- 6/7. Metrics – **4-year institutions**
 - Total number of degrees and certificates awarded
 - Total number of degrees and certificates awarded to Native Hawaiians
 - Total number of degrees and certificates awarded to Pell recipients
 - Total number of degrees and certificates awarded to STEM fields
 - Number of transfer students enrolled
 - Number of students who graduate within 150% of program length**2-year institutions**
 - Total number of degrees and certificates awarded
 - Total number of degrees and certificates awarded to Native Hawaiians
 - Total number of degrees and certificates awarded to Pell recipients
 - Number of degrees awarded in STEM fields and number of students who transfer to four-year institutions and receive STEM degrees
 - Transfer to UH four-year institutions
8. Unambiguous: Yes, all metrics are direct counts
11. Broad alignment: No, outcomes-based funds are in addition to base funds not tied to outcomes.
12. Large pool: No. Legislature appropriated \$6.3 million for FY 17. In prior years, community colleges reallocated \$3.5 million from base funds.
15. Stop-loss: no.

Illinois

2. Well developed through a broadly inclusive process (see URL: <http://www.ibhe.org/PerformanceFunding/default.htm>)
3. Includes all public institutions.
4. Mission differentiation accomplished by having separate models for two- and four-year institutions.
5. Additional weights provided for graduating students who are
 - Low income (Pell/MAP eligible)
 - Adults (25 years or older)
 - Hispanic or African-American
- 6/7. Metrics
 - 4-Year
 - Degrees granted (Baccalaureate, Masters, Doctoral, and first professional)
 - Bonus for STEM and Health degrees
 - Undergraduate degrees per 100 Undergraduate FTEs
 - E&G spending per completion
 - E&G spending per completed credit hours
 - Research and public service expenditures
 - Graduation rates, proportion of entering FTFT cohort graduating within 150% of program time
 - Persistence: Proportion of students accumulating at least 24 SCH during year
 - 2-year
 - Degree and certificate completion
 - Degree and certificate completion of at-risk students
 - Transfers (to both 4-year and other 2-year)
 - Remedial and adult education advancement
 - Momentum points
11. Broad alignment: No – Most funds based on a base-plus model with the “plus” being uniformly applied
12. Large Pool: No – 1/2% of state appropriation for 4-year institutions, a total of 360,000 for 2-year
13. Intent is to increase portion of funds being allocated on basis of outcomes – stepwise increments in future years.
15. No stop loss. Allocation is so small as to not warrant consideration of protecting institutions against severe decrements.

Indiana

2. Yes – See URL for Reaching Higher, Achieving More, <http://www.in.gov/che/2349.htm>

3. Yes – applies to all public institutions

4. Generally the same for all institutions – some variation within metrics

5. “At-risk” – defined Pell recipients

6/7. Metrics

- Overall degree completion (certificates, Associates, Baccalaureates, Masters, and Doctoral)
- At-risk student degree completion
- High impact degree completion – STEM
- Student persistence
 - 2-Year institution – 15, 30, and 45 credits
 - 4-year non-research – 30 and 60 credits
- Remediation success – successful completion of remediation and successful completion of gateway course in same subject area.
- On-time graduation rate – improvement in 4-year and 2-year graduation rates
- Productivity metric – negotiated with each institution

11. Base funding calculated on basis of completed credit hours

12. Allocation is approximately 6% of the state appropriation

15. Stop-loss: No

16. Continue in bad times? No.

Louisiana

2. Yes – See Master Plan URL, http://regents.louisiana.gov/?page_id=102
3. Yes – Applies to all public institutions
4. Mission differentiation maintained by including different measures for different types of institutions.
5. Yes. Metrics for graduation of UG adult students and of Pell-eligible students.
- 6/7. Metrics – numerous in various categories. Based on GRAD Act (Granting Resources & Autonomy for Diplomas)
 - Student Success
 - Retention
 - Program completers by degree level
 - Articulation and transfer
 - Number of students cross-enrolled at two four-year institutions
 - Number of transfers from 2-year to 4-year
 - Workforce and Economic Development
 - R&D – amount of grant-funded research
 - Completers
 - Institutional efficiency and accountability.

In each area, institutions establish annual performance targets in consultation with the Board of Regents. Success is determined by the proportion of these targets successfully achieved.

11. Yes. Base funding determined on basis of completed credit hours.
12. Yes, institutions that achieve 80% of their targets receive
 - 15% of base appropriation
 - Permission to raise tuition up to 10%

Maine

2. No master plan at either state or system level.
3. Includes all two-year institutions and 4-year comprehensive institutions. Excludes institutions that are part of the UMass System.
4. Addresses differentiation by having separate models for two- and four-year institutions.
5. Underserved populations – premiums awarded for adults who complete AA or BA degrees or transfer with 30 or more credits.
- 6/7. Metrics
 - Awards – certificates, Associates, Baccalaureates, Advanced
 - Premiums for STEM, health, and regional need field
 - R&D – revenues and numbers of contracts with premiums for contracts with Maine partners
 - Momentum points – 30-59 credits and 60-89 credits
 - Productivity – awards per \$100,000 of (state appropriations + tuition)
8. All are unambiguous counts.
10. Quality issues not addressed.
11. No – most funds based on prior year's funds with across the board increments or decrements.
12. No. 5% of base allocation.
14. Phase-in with 5% increase per year until 25% is reached. That level has been reached.
15. Stop-loss. Yes, 2% the first year.
16. Intended to be applied every year regardless of base funding levels.

Massachusetts

2. Yes. Model developed within the context of The Vision Project, the Department of Higher Education's strategic plan. <http://www.mass.edu/visionproject/home.asp>
3. Includes all two-year institutions and 4-year comprehensive institutions. Excludes institutions that are part of the UMass System.
4. Differentiation achieved by having different models for two- and four-year institutions.
5. Underserved populations
 - 2-year – extra weights attached to Pell Recipients
 - 4-year – Factor for closing the URM enrollment gap
- 6/7. Metrics
 - **4-year**
 - Closing URM enrollment gap
 - Retention: Number of students who cross 30 & 60 SCH thresholds
 - Improvements in five-year graduation rate
 - Graduate and undergraduate degrees produced per 100 FTE students
 - Year-over-year increases in total degrees produced
 - Number of priority degrees produced
 - Productivity – degrees per \$100,000 of tuition revenue
 - **2-year**
 - Completions – certificates and associates. Premiums for awards in priority fields (30%), and to underserved populations (30%)
 - Transfers with at least 24 SCH
 - Momentum points
 - Completes 30 credit hours
 - Completes first college-level English
 - Completes first college-level Mathematics
 - Productivity – awards per 1000 FTE
 - Success rate – using the Achieving the Dream definition
8. All are unambiguous counts except the ATD Success Rate (for two-year) and 5 year graduation rate (for four year)
10. Quality issues not addressed.
11. Yes for 2-year. Balance of funds are distributed on basis of completed credit hours. For four-year institutions, performance fund is an add-on to a base plus funding model not linked to goals.
12. Yes for 2-year where 50% of the funds are allocated on the basis of outcomes. No for four-year.
14. Phase in - no.
15. Yes. Both stop-loss and stop-gain for 2-year. No for 4-year.

Michigan

2. No. There is not a statewide strategic plan, nor, since Michigan has no system structure, are there any systemwide plans. Outcomes-based funding was established by legislative action.
3. Yes, includes 2- and 4-year public institutions.
4. Mission differentiation maintained through use of different metrics.
5. Four year model includes a metric for enrollment (not completion) of Pell students
- 6/7. Metrics
 - **4-year**
 - Undergraduate degree completions in critical skills areas
 - Research and development expenditures
 - Six-year graduation rates
 - Total degree completions
 - Institutional support expenditures as a percentage of total core expenditures.
 - Percentage of students receiving Pell grants.

The final four of these metrics are based on performance relative to national peers
 - **Two-year**
 - Completion improvement
 - Number of completions
 - Completion rate
8. No. Some require calculations that are difficult to standardize
9. Two-year model rewards continuous improvements in completions.
10. Quality issues are not addressed.
11. No. Other parts of the allocation mechanisms are not tied to outcomes.
12. 30% of two-year allocation is based on performance. Increases in allocation are based on performance at four-year institutions.
14. No phase-in.
15. No stop-loss.
16. Continued each year.

Minnesota

2. Goals. Minnesota does not have statewide goals for higher education. Outcomes-based funding is a result of legislative action.
3. Inclusive. Includes both public higher education systems and therefore all public institutions.
4. Mission differentiation. Only to the extent that metrics for the two systems are different.
5. Underserved populations: no.

6/7 Metrics

University of Minnesota

- Increase by at least 1% of the four-year, five-year, or six-year graduation rates for students of color
- Increase by at least 2% the number of undergraduate STEM degrees
- Increase by at least 1% the four-year undergraduate graduation rate
- Reallocate \$15 million in administrative costs
- Increase licensing disclosures by 3%

MnSCU

- Increase by at least 4% the number of degrees, diplomas, or certificates awarded
 - Increase by at least 5% the employment rate of graduates.
 - Reallocate \$22 million in (administrative) costs
 - Decrease by at least 10% the number of students enrolled in developmental courses
 - Increase by at least 5% the number of degrees awarded to students who took more than 128 credits for a baccalaureate or 68 credits for an associate degree
8. Unambiguous. No. Several of the metrics are open to measurement problems.
 10. Quality issues not addressed.
 11. Broad alignment. No. Most of the allocation is distributed on a base plus model
 12. Large pool. Maximums of 5% of the state general operations appropriation. Allocations are made on a System, not campus, basis. Each system gets the full 5% if 3, 4, or 5 goals are met, 67% of the 5% for meeting two goals, 33% for meeting one goal, nothing if no goals are met. Allocations to campuses not made in the same way.
 14. Phase-in: no.
 15. Stop-loss: no.

Mississippi

2. No. No strategic plan at either state or system levels.
3. Includes only public four-year institutions.
4. Mission differentiated by weighting metrics differently four different types of institutions.
 - MSU, USM, UM
 - Jacksonville State
 - All others
5. No feature that provides a premium based on student status.
- 6/7. Metrics
 - Degree completion
 - Intermediate outcomes – completing 30, 60, and 90 SCH
 - Research activity – expenditures
 - Links to K-12 education – TBD
 - Productivity – degrees per 100/FTE
8. All are unambiguous counts
11. Yes. Base funds allocated on basis of completed credits.
10. Quality issues not addressed.
12. Yes, 15% of appropriation allocated on basis of outcomes.
14. Phase-in, intended to be increased.
15. Both stop-loss and stop-gain.
16. Intended to be utilized regardless of funding levels. Model was used in 2015. The funding shares resulting from use in that year have been used in subsequent years.

Missouri

2. Goals established in their Master Plan, “Imperatives for Change: Building a Higher Education System for the 21st Century.” No quantitative targets are associated with the goals.
3. Includes all public institutions.
4. Mission differentiation maintained by
 - Having separate models for the separate categories of institutions (State Technical College, community colleges and 4-year institutions). Although each institution category shares some major performance themes (student success and progress, quality of student learning, fiscal responsibility and efficiency), each uses a different set of metrics.
 - Providing 4-year institutions freedom to select a mission-specific metric on which to be assessed.
 - Does not address underserved populations

6/7. Metrics – 4-year

- Student success and progress (institutions choose one)
 - Freshmen to sophomore retention, OR
 - First-time full-time freshmen successfully completing 24 hours in their 1st academic year
- Increased degree attainment (institutions choose one)
 - Total degrees awarded (weighted for STEM and health awards), OR
 - Six-year cohort graduation rate
- Quality of Student Learning (institutions choose one)
 - Improvements in assessments of general education, OR
 - Improvements of assessments in the major field, OR
 - Improvements on professional/occupational licensure tests, OR
- Financial responsibility and efficiency (institutions choose one)
 - Percent of total educational and general expenditures expended on core mission (instruction, research, public service)
 - Increase in educational revenue (state appropriations plus net tuition revenue) per FTE student at or below the increase in the CPI.
- Institution – selected, mission-specific metric

Metrics – 2-year institutions

- Student Success and Progress
 - Three year completion rate for first-time, full-time entering students (includes students who complete a program one-year or more in length or successfully transfer to a 4-year institution)
 - Fall to fall persistence, OR Fall to spring persistence.
 - Successful completion of all credit hours, OR all college-level course enroller success rate
 - All student performance on gateway math course(s)
 - All student performance on gateway English course(s)
 - All developmental-level course enrollee success rate
- Increased degree attainment and Quality of Student Learning

-
- Percentage of career/technical graduates who pass their required licensure/certification examinations
 - Fiscal Responsibility and Efficiency
 - Institution-specific measures

Metrics – State Technical College

- Student success and progress
 - Three-year graduation rate
 - Freshmen to sophomore retention rate
- Student Placement and quality of Student Learning
 - Job placement (180 day follow-up)
 - Improvement on assessment in major field
- Financial responsibility and efficiency
 - Completions to FTE ratio

For both 2- and 4-year institutions, success is defined as improvement over the previous year's performance (both measured as a 3-year rolling average) or performance in the top third of a comparison group.

While a three-year rolling average was originally adopted to smooth out changes, it was discovered that an extremely high or low year could negatively impact an institution for years to come. As a result, another avenue for success was adopted beginning in FY16. This option, a year-over-year comparison, may only be chosen by an institution in the year following a failure to demonstrate improvement using the three year rolling average method. Once chosen, this method must be used until the anomalous year has passed or a requested change has been approved.

Additionally, the comparison group approach is used to establish “sustained excellence” in most instances. However, there is also a minor deviation for four-year institutions in that the benchmark for quality of student learning is established based in mission selectivity rather than a peer group.

8. Most are unambiguous counts. Graduation rates and revenue/expenditure ratios are possibly subject to manipulation
9. Most measures require either continuous improvement or high performance.
10. Quality of student learning included in metrics for all institutions.
11. Base funding does not include incentives for goal attainment.
12. Outcomes-based pool is established annually as a separately appropriated amount. The funding history has been as follows:
 - FY14 \$25 million (3%)
 - FY15 \$43 million (5%)
 - FY16 \$12 million (1%)
 - FY17 \$37 million (4%)
13. Funded with new money.
14. No explicit phase-in.
15. No need for stop-loss since it is funded with new money.

Montana

2. Goal: Increase the percentage of the population with a higher education credential from 40% to 60%.
3. Yes. Applies to all Montana University System institutions – most of the public institutions in the state
4. Mission differentiation: maintained by applying different metrics to different kinds of institutions. Metrics weighted differently for different types of institutions.
5. Underrepresented populations given added weights in calculating contribution:
 - American Indians
 - Pell recipients
 - Veterans
 - Students 25+ years of age
- 6/7. Metrics
 - Undergraduate degrees and certificates awarded all institutions
 - Retention rates all institutions
 - Graduate-level degrees and certificates awarded Research Universities
 - Research expenditures Research Universities
 - Masters-level degrees and certificates awarded 4-year regional
 - Dual enrollment 4-year regional and 2-year
 - Remedial success 2-year
 - Credit accumulation 2-year
8. Unambiguous: Yes. Most metrics (except retention rates) are direct counts.
9. Continuous improvement: Yes. Progress determined by individual campus improvements over individual campuses' prior three-year averages
10. Quality issues are not addressed.
11. Broad alignment: No.
12. Large pool. Approximately 8% of state appropriation.
14. Phase-in: No.
15. Stop-loss: No.
16. Yes.

Nevada

2. Yes – see URL,
[http://system.nevada.edu/tasks/sites/Nshe/assets/File/Initiatives/fundingformula/Funding%20Model%20Summary%20Revised 8 12.pdf](http://system.nevada.edu/tasks/sites/Nshe/assets/File/Initiatives/fundingformula/Funding%20Model%20Summary%20Revised%208%2012.pdf)
3. Yes – Applies to all public institutions
4. Mission differentiation reflected in
 - Different metrics for different types of institutions
 - Regional workforce needs reflected in community college metrics
 - Different weights applied to metrics for different types of institutions
5. Underserved populations defined as including
 - Minorities
 - Pell eligible
- 6/7. Metrics
 - Degrees awarded
 - Certificates (at least 30 credits)
 - Associates
 - Bachelors
 - Masters and Doctoral
 - Sponsored research expenditures – Research Universities only
 - Transfer students
 - 4-year – numbers of transfer students received with AA degrees
 - 2-year – transfers with at least 24 credits
 - Gateway course completers – non-research institutions only
 - Efficiency – awards per 100 FTE
 - Economic development
 - STEM and Health graduates
 - Institution-selected field
10. Yes. Metrics have been developed to monitor any changes in quality and are being put in place.
11. Yes. Base funding tied to completed credits.
12. 5% in year one increasing by 5% per year to 20%.
14. Outcomes-based funding is being phased in over 4 years. See above.
15. Stop-loss in place and operative for first two years.
16. Yes.

New Mexico

2. No explicit goals contained in a Public Agenda or Master Plan
3. Includes all public institutions
4. Differentiated by applying different weights to common metrics for different types of institutions – Research Universities, comprehensive universities, community colleges
5. At-risk students defined as students who have expected family contributions (EFC) of less than \$5,000
- 6/7. Metrics
 - Total awards
 - STEM awards
 - Awards to financially at-risk students
 - End-of-course student credit hours
 - Sector mission measures
 - Research expenditures Research Universities
 - Dual credit. End of course SCH taken by dual credit students Comp & 2-year
 - Momentum points – Completion of 30 & 60 SCH Comp & 2-year
8. Unambiguous measures: Yes. Metrics are direct counts.
10. Quality issues not addressed
11. Yes. Base funding allocated on basis of completed credit hours.
12. Large pool: No. 2.1% of state appropriation
14. Phase-in. No.
15. Stop-loss: No. Allocation not large enough to require it.
16. Continued: yes. If appropriation of new money is insufficient to cover performance fund, resources are “carved out” of base allocation.

North Carolina

2. Goals. There are no statewide goals in North Carolina.
3. Inclusive: No, applies only to two-year institutions
4. Mission differentiation: No. All two-year institutions are treated alike.
5. Underserved populations: No.
- 6/7. Metrics
 - Basic skills student progress
 - Success rates in college-level English courses
 - Success rates in college-level math courses
 - First year progression
 - Curriculum/program completions
 - Licensure and certification pass numbers
 - College transfer performance
8. Unambiguous: Yes. Metrics are predominantly counts.
10. Quality issues are not addressed in the model.
11. Broad alignment: No. Base funding is allocated on basis of enrolled credit hours.
12. Large pool: No. \$3,000,000 distributed for each metric.
14. Phase-in: No.
15. Stop-loss: No.

Ohio

2. No statewide plan on explicit goals currently in effect. Prior plan no longer being referenced.
3. Includes all public institutions, two-year and four-year.
4. Mission differentiation maintained through different metrics and separate pools for two- and four-year institutions. Within the four-year category 20% of the appropriation is set aside for doctoral and medical education.
5. Underserved populations. For four-year institutions, financial at-risk (EFC < 2190) and academic at-risk (ACT < 17 or completion of developmental ed for students with no ACT). For two-year institutions, extra weight is given to students who
 - Were 25 or older when they began at college of enrollment
 - Were Pell-eligible at any time during enrollment
 - Are African-American, American Indian, or Hispanic
 - Require remediation in math
- 6/7. Metrics
 - Four-year
 - 50% for degree completions
 - 30% for course completion
 - 20% for doctoral and medical
 - Two-year
 - 50% course completion
 - 25% for momentum points (12, 24, 36 credits), completion of developmental ed and enrollment in college-level course in same subject area
 - 25% program completion
11. Broad alignment is achieved by using courses completed as a major component of the allocation scheme.
14. Phase-in only to the extent that the community college model will be revised for coming year to with more emphasis on outcomes – a phase-in of the model rather than the proportion of funds allocated to outcomes through the model.
15. Stop-loss. The stop-loss employed in prior years has been eliminated.

Oklahoma

2. Yes. Developed within the context of the statewide Brain gain initiative.
 3. Yes. Applies to all public two- and four-year institutions.
 4. No. Applies equally to all 2- and 4-year institutions.
 5. Yes. Pell grant recipients. Applies only to retention metric.
- 6/7. Metrics
- First-year retention
 - First-year retention for Pell recipients
 - 24 credits in first academic year
 - Cohort graduation rates anywhere in the system
 - Degrees granted
 - Improvement
 - Relative to CCA targets
 - Program accreditation
9. Yes. Rewards on most metrics are based on increase not absolute numbers.
 11. Broad Alignment: No.
 12. Large Pool: No. Total of \$2 million.
 16. Implemented only if state appropriations is increased (there is new money).
- Note:** Use of this model has been suspended due to reductions in appropriations.

Oregon University System

2. Created within the context of the state's 40/40/20 initiative and the System's strategic plan.
3. No. Four-year institutions only.
4. No. Applies to all four-year in the same way.
5. Yes. A premium for completions for underrepresented minorities, students from rural counties, Pell recipients, and veterans.
- 6/7. Metrics
 - Number of degrees (baccalaureate and graduate) awarded to Oregon residents
 - Number of degrees (baccalaureate and graduate) awarded to underrepresented students (see 5 above).
 - Completions of transfer students
 - Completion in priority degree areas – STEM, healthcare, bilingual education
8. Yes Metrics are direct counts.
11. Yes. Base funds are allocated on the basis of completed credit hours.
12. Large pool: estimated at 32% for FY 2017
14. Phase-in: Yes. Completion funding share increases 20% per year until it reaches 60% of non-mission-differentiated funding (about 50% of total appropriation).
15. Both stop-loss and stop-gain features are employed.

Pennsylvania State System of Higher Education

2. No statewide goals. Developed within the context of System goals.
 3. Includes only PASSHE institutions. Excludes the state's public research universities and community colleges.
 4. Provides for differentiation within the System through use of measures institutions can select in addition to a standard set.
 5. Yes. Underrepresented minorities and Pell recipients.
- 6/7. Metrics – three domains (student success, access, and stewardship) and three groups.
- Mandatory
 - Selection of 3-5 from a predetermined list
 - Up to 2 institution specific

The mandatory metrics are

- Degrees conferred (associates, baccalaureate, graduate)
- Baccalaureate degrees per FTE UG enrollment
- Closing first-time freshmen achievement gaps for Pell recipients
- Closing first-time freshmen achievement gaps for underrepresented minorities
- Closing first-time freshmen access gaps for Pell recipients
- Closing first-time freshmen access gaps for underrepresented minorities
- Percent FT tenure/tenure track faculty who are non-majority
- Percent FT tenure/tenure track faculty who are women

The prescribed group from which institutions can pick 3-5 metrics include:

- Third- and fourth-year student persistence
- Educational value added (as reflected in senior CLA, CAAP, or ETS® Proficiency Profile Scores)
- STEM degree recipients (including health degrees)
- Faculty career advancement
- Staff diversity
- Student diversity
- Student experience with diversity and inclusion (as reflected in the average for the combined scores on applicable NSSE items)

Prescribed group from which institutions must pick at least one:

- Private philanthropic support
- Facilities investment (as measured by the annual Sightlines Return on Physical Assets study)
- Administrative expenditures as percent of the cost of education
- Credit hour productivity (as measured by student credit hours as a ratio of the total FTE faculty)
- FTE student/FTE employee (faculty and staff) productivity

-
8. Measures are well-defined and unambiguous.
 9. Yes. Several metrics focus on closing gaps; institutions rewarded only for improvement.
 10. Quality. Only if institutions select the educational value added metric from the optional list.
 11. No. Base funds are distributed on an FTE basis.
 12. 2.4% of the total operating budget is allocated on the basis of outcomes. This amount is supported by the state appropriation.

Tennessee

2. Has well established goals included in their master plan (See <http://www.state.tn.us/thec/>). Goal being increased to 55% attainment by 2025.
3. Includes all public institutions.
4. Mission differentiation maintained by:
 - Having separate models for 2- and 4-year institutions
 - Further distinguishing institutions in different Carnegie classes by assigning different weights to metrics.
5. Focus populations – adults, low income, academically, academically underprepared (CCs only).

6/7. Metrics – 4-Year

- Student progression (30, 60, 90 credits)
- Transfers out with 12 credits or more
- Degrees and certificates per 100 FTE
- Degrees granted (Associates, Bachelors, Masters/Education Specialists, Doctoral and Professional)
- Research and services
- 6-Year graduation Rate
- Degrees per 100 FTE

Metrics – 2-Year

- Student progression (12, 24, 36 credits)
- Transfers out with 12 credits or more
- Degrees and certificates per 100 FTE
- Dual credit enrollments
- Degrees (AA and certificates)
- Job placements
- Workforce training – contact hours
- Awards per 100 FTE

7. All are unambiguous counts with the possible exception of the 6-year graduation.
10. Quality. When Tennessee adopted its new outcomes-based model in 2011 it maintained its old performance funding model (5.45% of the state appropriation) and devoted this pool to ensuring that quality is maintained. The metrics utilized in allocation of this pool include:
 - Assessments of general education (tests)
 - Major field assessments (licensure/certification exams whenever possible)

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- Academic program accreditation; rigorous review in fields with program accreditation
 - Student satisfaction/engagement data
 - Job placement results

11/12. Since almost 100% of the funding is outcomes-based (the exception is a small percentage for non-outcomes performance) all funding is aligned with state goals.

13. Allocates all of the money appropriated regardless of prior year's allocation.

14. Phase-in – over three years

15. Stop-loss – no

16. Applied every year regardless of funding levels

Texas

2. Goal: 60% of 25-34 year olds have a college credential by 2030. See <http://www.theccb.state.tx.us/reports/PDF/6862.PDF>
3. Outcomes-based funding applies only to the Texas State Technical Colleges and the community colleges.
4. Mission differentiation reflected in the very factors incorporated into the models for these two types of institutions.
5. Underserved populations: No.
- 6/7. Metrics
 - TSTC
 - Value added. The difference between student wages after completing a TSTC program and minimum wage in Texas
 - Community Colleges – Momentum points
 - Complete developmental math weight = 1.0
 - Complete developmental reading weight = 0.5
 - Complete developmental writing weight = 0.5
 - College credit attainment – 15 hrs weight = 1.0
 - College credit attainment – 30 hrs weight = 2.0
 - Transfer to 4-year after 15 hours weight = 2.0
 - Complete gateway course – math weight = 1.0
 - Complete gateway course – reading weight = 0.5
 - Complete gateway course – writing weight = 0.5
 - Credential awarded – critical fields weight = 2.25
 - Credentials awarded weight = 2.0
8. Unambiguous: yes.
10. Quality: Not incorporated except as reflected in wages of TSTC grads
11. Broad alignment: Yes at TSTC.
12. Large Pool: Yes. 100% of funding formula for TSTC, 10% for community colleges.
14. Phase in: no.
15. Stop loss: no.

Utah

2. Developed in furtherance of achieving the state's attainment goal. Initial impetus for performance funding came from legislature.
 3. Inclusive: Yes. Applies to all public institutions in the state.
 4. Mission differentiation: Only to the extent that a research factor is restricted to the States two research universities.
 5. Yes. Model includes a factor for service to underrepresented students (Pell recipients).
- 6/7. Metrics
- Completions. Total certificates and degrees awarded.
 - Underserved students. Enrollment of Pell recipients.
 - Responsiveness to workforce needs. Awards in top 10 "5 Star" fields as defined by Utah Department of Workforce Services.
 - Graduation Efficiency. Number of first-time full-time students graduating within 150% of time to award (six years for baccalaureate and 3 years for associates)
 - Research funding. Total federal funding received for research.
8. Unambiguous: Yes.
 10. Quality: Issue is not addressed in the funding model.
 11. Broad alignment: No. Balance of appropriation distributed using a base-plus methodology.
 12. No. Approximately 20% of new funding.
 14. Phase-in: No.
 15. Stop-loss: No

Washington State Board for Community and Technical Colleges – Student Achievement Initiative

2. No statewide plan currently in effect. One is under development
3. Includes only the community colleges. Four-year institutions do not have a similar program
4. All community colleges are treated the same.
5. Yes. Extra weight given to momentum points/completion of students who were designated as basic skills students at time of entry.
- 6/7. Metrics
 - Points are awarded each time a student reaches one of the following momentum points
 - Basic Skills – earning a High School diploma or GED or making nationally-recognized test gains in math, English, or reading as measured by pre- and post-tests.
 - College readiness – completing highest level remedial course and subsequently completing a college-level course.
 - 15 college credits
 - 30 college credits
 - College math – achieving 5 college-level math credits in computation, math, or logic
 - Completing 45 college credits
 - Completion – certificate, degree, or apprenticeship.
 - The allocation of the performance fund is based 45% on total points (with completion points removed, 45% on points per student and 10% on completion).
8. Yes. Clear definitions.
9. Based on cumulative points, not continuous improvement.
10. Quality not considered specifically.
11. Broad alignment: No. Base allocation determined largely by enrolled credits.
12. Pool in each year of current biennium is \$5,000,000.
14. Phase-in: no.
15. Stop-loss: no.
16. Was continued in absence of legislative appropriation in prior biennium.

Wisconsin

2. Goals: No. Outcomes-based funding is the result of a legislative initiative.
3. Inclusive: No. Applies only to the Wisconsin Technical College System institutions.
4. Mission differentiation: No.
5. Underserved populations: Yes. See metric description below.
- 6/7. Metrics
 - Job placement rates, based on survey of graduates
 - Degrees and certificates awarded in high-demand fields
 - Programs or courses with industry-validated curriculum
 - The transition of ABE students to skills training
 - The success rate of adults in basic education courses, based on pre- and post-tests
 - Participation in dual enrollment programs
 - (Credits of) workforce training provided to businesses and individuals.
 - Participation in collaboration or efficiency initiatives
 - Training provided to special populations or demographic groups unique to the district; populations include Pell recipients, students of color, veterans, incarcerated, dislocated workers, and students with disabilities.

Institutions pick 7 of the 9 metrics.
8. Unambiguous: No. Several of the metrics are subject to interpretation/measurement error.
10. Quality issues are not specifically addressed except as reflected in test scores associated with some of the metrics.
11. Broad alignment: No. Balance of funds distributed on basis of enrollments and cost-based statutory aid formula.
12. Large Pool: Yes. 30% of state appropriation is allocated on the basis of outcomes.
14. Phase-in: Yes. 10% in year one of implementation, 20% in year two, 30% in year three.
15. Stop-loss: No.

Wyoming

2. Goals: Wyoming does not have statewide goals for higher education.
3. Inclusive: No. Applies only to two-year institutions.
4. Mission differentiation: No.
5. Underserved populations: No.
- 6/7. Metrics
 - Progress – successfully completed weighted credit hours. This is the only metric currently employed.
 - Performance – degrees and certificates awarded. Implemented for FY 2018.
 - Placement – transfer to four-year institution or placement in workforce. Implemented in either FY 2019 or 2020.
8. Unambiguous: Yes
10. Quality issues not addressed in Wyoming model.
11. Broad alignment: No.
12. Large pool: Yes. 20% of state appropriation.
14. Phase in: No.
15. Stop-loss: No.