



Metrics for Higher Education

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PERFORMANCE FUNDING

What is Performance Funding?

- State funding linked to prescribed performance measures agreed upon by the state and institution(s).
- If the institution meets the measures, it receives a predetermined amount of state appropriations.

Performance Funding is Common

- Tennessee was first in the late 1970s
- About half of the states have some form now and more states are considering it
- States are also increasing the percentage of state appropriations that are tied to performance measures.
 - Historically around 5%
 - by 2014, Louisiana, Indiana, and Tennessee, will have over 25% of the appropriations to higher education tied to outcomes (Tennessee much more >75%).

Does It Work?

- The empirical literature on the impact of performance funding remains scarce.
 - Most of the literature focuses on policy adoption and abandonment
- Recent Study
 - *“Impact of Performance Funding on Retention and Graduation Rates”*
 - Thomas Sanford, Tennessee Higher Education Commission
 - James M. Hunter, University of Minnesota

Three factors contribute to the challenges of implementation

- Performance indicator selection (e.g., course or degree completion, retention, and six-year graduation rates),
- Defining “success”
- Limited amount of funding allocated for the policy initiative
 - The “usual” 5% allotment may not provide enough incentive to comply with the policy

Tennessee's continuing modification

- **as much as 80%** of an institution's potential appropriations from the state are tied to these measures.
- Will Tennessee's new policy of tying a higher percentage of appropriations to these measures produce the desired change in institutional outcomes?

What to Expect? Lessons from Tennessee

- Performance funding has changed the **expectations** of higher education in Tennessee, but not so much the results.

Considerations

- Carrots vs. Sticks (rewards or penalties).
- How big the reward or the penalty.
- What weights/What variables—little agreement across states.
- Timing of when the reward or penalty is executed can be important to how institutions respond.
- States often get some of these things wrong—and the lessons are not clear about what is "right"
 - Although there have been many state experiments with performance funding, programs are often cut after several years, and few are around longer than a decade.

Why Do States Drop Performance Funding?

- Opposition from IHE, who argue that performance funding
 - provides state officials with excuse to cut back on regular state funding of higher ed.
 - intrudes on autonomy of higher education institutions.
 - fails to tailor performance indicators to differing institutional missions and student bodies.

Negative Outcomes

- Restrict access to low performing groups of students
- Temptation to lower academic standards
- Mission distortion, deemphasizing programs with little or no rewards
- High compliance costs

Strategies to Increase Success

- Build performance funding into regular appropriations
- Retain support key actors:
 - HE institutions: consult with colleges on design and revision of system (Ohio)
 - Business groups are central (Virginia)
- Ensure that original champions find successors.
- Find new supporters

What Kinds Of Metrics?

Four Main Areas of Metrics Development

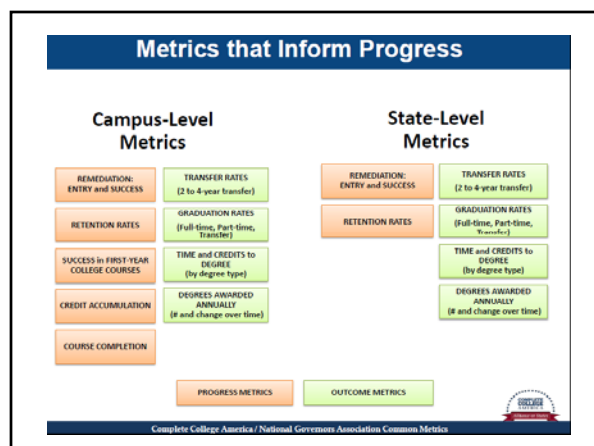
- Student success while in college
- Student learning
- Student success in the labor market
- How much does all this cost?

Metrics Need to Recognize the “New Normal”

- It’s not only about money
- It’s also about the changing demography of higher education students

New Metrics are Needed

- For student success while in college, CCA/NGA is new game in town
 - Retention
 - Progression
 - Completion
 - New cohorts
 - Transfer students
 - Students in developmental education
 - Part time students

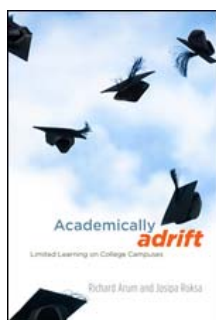


“Success Points”

- In Ohio, points are earned at an institution for the number of students :
 - Who complete certain remedial education goals.
 - earning their first 15 semester credit hours of college level course work at that institution by a given year.
 - earning their first 30 semester credit hours of college level course work at that institution by a given year.
 - who earn an associate degree, from that institution, in a given year.
- In FY 2011, 5% of funding is allocated using the Success Points approach. The proportional share of the total points earned by each campus will drive a proportional share of the amount set aside

What are Students Learning?

Maybe not much



Academically Adrift

- Draws on survey responses, transcript data, and the Collegiate Learning Assessment, a standardized test administered to students in their first semester and then again at the end of their second year.
- During their first two years of college, 45 percent of these students do not improve in critical thinking, complex reasoning, and writing.
- Students are distracted by socializing or working.
- Institutions put undergraduate learning close to the bottom of their priorities.

Measuring Student Learning

- CLA is the current front-runner
- Intense disagreements over what to measure
- Intense faculty opposition
- The future?????

Measuring Labor Market Success

- Merging student unit records with unemployment insurance records can produce concrete measures of student labor market success
- we can measure the rates of employment and wages of students completing similar programs in different campuses
- or we can compare the outcomes of different programs within a university.
- This information is essential to state legislators, faced with allocating state monies.
- And it is essential to students and their families choosing between schools and programs.
- Lumina Foundation supporting my work in VA, IN and TN

How Much Does This Cost?

- There is a difference between price and cost.
- We need to take into account the student mix
 - upper level and graduate students cost more than lower level students.
- And we need to take into account mission
 - Physics is more expensive than French
- We need to standardize measures by success rates: e.g., cost per completion
- We need to standardize costs by students served.
 - “Risk adjusted metrics”



New Metrics Must

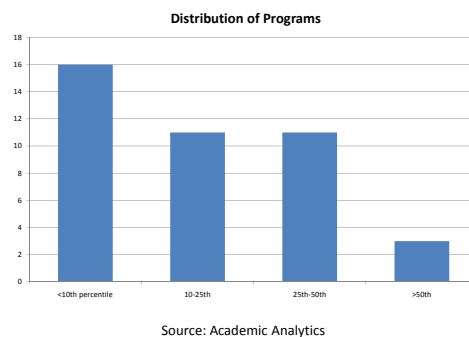
- Be understandable by different stakeholders
- Be put into the public square
- Transparency and Accountability go hand in hand

Research Universities?

Every faculty member and every administrator wants this:



North Dakota State



University of North Dakota programs rank even lower

- 14 out of 24 programs are at or below the 10th percentile.
- Highest ranked program is 45th percentile.

Research Universities

- Add value by creating new knowledge
- But they are expensive
- They need to demonstrate that they are good at research and that their faculty are productive.