

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

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Paper Description

This paper accompanies *Automatic for the Borrower: How Repayment Based on Income Can Reduce Loan Defaults and Manage Risk*, a paper by a consortium of five student-aid advocacy and research organizations – HCM Strategists, the Institute for Higher Education Policy (IHEP), the National Association of Student Financial Aid Administrators (NASFAA), New America (NA), and Young Invincibles (YI) – that proposes automatically enrolling federal student loan borrowers in a single repayment plan based on income (“auto-IBR”). The proposals in this paper are intended to complement proposals in the consortium’s paper. However, the proposals in this paper reflect the recommendations of YI and are not supported by all groups in the consortium. Financial support for this research was provided by a grant from the Bill & Melinda Gates Foundation through the Reimagining Aid Design and Delivery (RADD) project.

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States are natural laboratories for experimentation on policy design and implementation. Today, it is instructive to look to states for guidance on how to strengthen federal accountability for financial aid, including federally guaranteed student loans. For the past 35 years, state higher education systems have experimented with ways to use outcomes data to share responsibility for improved outcomes. For the purposes of this paper, HCM Strategists defines “shared responsibility” as higher expectations for institutions and students to produce more graduates without compromising access and affordability.¹ State “shared responsibility” policies include using outcomes data to allocate funding to public colleges (performance-based funding policies), promoting affordability and encouraging students’ academic progress (financial aid and tuition policies) as well as improving public accountability through consumer information (data dashboards).

Completion of a postsecondary credential of labor market value is the best income growth and loan default strategy available.² An expanded income-based repayment program for federal student loans will increase the risk to which federal taxpayers are potentially exposed. The federal government can manage this increased risk with concurrent attention to the responsibility for success expected of students and institutions receiving federal financial aid.

HCM Strategists, a public policy and advocacy firm specializing in health and education, works intensively with state leaders committed to increasing higher education attainment. This review of state policies describes how widespread “shared responsibility” policies for college completion are, what emerging or existing evidence of effectiveness exists and which outcomes metrics are used to implement these policies.

PERFORMANCE-BASED FUNDING

Early evidence from states with performance-based funding shows some institutions change practices to increase student success. Research from initial performance-based funding provides concrete ways to improve this “shared responsibility” policy. Now, states are actively working with these evidence-based principles to design and implement new or updated performance-based funding policies.

Traditional state funding allocation models for public higher education include enrollment (based on the number of students enrolled at a census date) or historic allocation levels,

1 See HCM Strategists’ 2013 reports American Dream 2.0 and Doing Better for More Students, supported through the first round of Reimagining Aid Design and Delivery grants issued by the Bill & Melinda Gates Foundation.

2 Deanne Loonin and Jillian McLaughlin, *The Student Loan Default Trap: Why Borrowers Default and What Can Be Done*, (Boston: National Consumer Law Center, 2012), Accessed March 7, 2014, <http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/student-loan-default-trap-report.pdf>. and Pew Research, *The Rising Cost of Not Going to College*, (Washington, DC: February 2014) Accessed March 7, 2014, <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>.

which adjust up or down from year to year based on the amount appropriated. An increasing number of state policymakers recognize disconnects between these funding models and states’ need for increased levels of completion and attainment. As a result, governors and state legislators are turning to performance-based funding (performance funding) as a policy tool to align states’ primary financial investment in higher education with states’ need to reduce equity gaps and increase higher education attainment. It has become the most common state-level policy intervention used to influence outcomes among public higher education institutions.

Performance funding policies tie a percentage of state appropriations to metrics intended to gauge institutional performance on indicators such as postsecondary credential completion, student progression and research investments. This finance policy approach is not a new advent for public higher education. More than half of the states, at least for a short period, adopted a form of performance funding in the past 35 years. These earlier “performance funding 1.0” models provide an important foundation for research and understanding that have informed the development of more recent models.

The aims of performance funding policies include aligning institutional spending priorities with those of the state, increasing incentives to scale proven practices with existing dollars, holding institutions accountable for performance and rewarding desired outcomes. Recent performance funding policies, often referred to as “performance funding 2.0,” have evolved to ensure the impact is appropriately phased in to allow institutions to adjust to the new funding expectations, account for diverse institutional missions, incentivize increased attention to the success of at-risk or underrepresented populations and incorporate the policy as part of the base appropriation. These developments were informed by research of early performance funding policies and identified limitations or unintended consequences of design and implementation.³

The design and implementation flaws of earlier models provide an important foundation to inform federal policymakers. Flaws of earlier performance funding policies included: a one-size-fits-all approach that did not differentiate between types of institutions, their mission and the students they served; rushed implementation resulting in large and untenable funding shifts; and funding performance as a bonus allocation, outside the general appropriation, which became easily abandoned in difficult budget times or too small an amount to garner institutional attention.⁴ In particular, these lessons have been applied to new performance funding policies adopted in Indiana, Ohio and Tennessee and inform conversations under way in numerous states today.

3 HCM Strategists, *Performance Funding in Indiana: An Analysis of the Lessons from the Research and Other State Models* (Washington, DC: 2011), accessed November 15, 2013, http://www.in.gov/che/files/HCM_Strategies_Study_Performance_Funding_8-22-11_B.pdf; Southern Regional Education Board, *Essential Elements of State Policy for College Completion: Outcomes-Based Funding*, (Atlanta, SREB, 2012), Accessed December 18, 2013, http://publications.sreb.org/2012/Outcomes_Based_Funding.pdf.

4 Joseph Burke and Andrea M. Serban, *Performance Funding for Public Higher Education: Fad or Trend?* *New Directions for Institutional Research* (1998), 42-47.

Research Overview

Existing qualitative research of states indicates performance funding can support institution-led efforts to adopt proven student success practices. Positive responses to performance funding policies include: use of data to inform decisionmaking, increased institutional funding dedicated to instruction, improved student services policies and practices from financial aid to advising, improvements to developmental education and tutoring, changes to course sequences and curricula and professional supports to improve teaching among faculty.⁵ Potential unintended consequences noted by research include: costs to comply with data collection, reduced academic standards, de-emphasis of parts of an institution’s mission, increased admissions standards and an inhibited faculty voice.⁶ However, many “performance funding 2.0” policies address potential unintended consequences by using metrics with consistent reporting across institutions that are already collected by the state, monitoring quality, accounting for mission differentiation and ensuring access through increased funding for success with students from underserved populations.

Few multivariate quantitative studies have ever been conducted to examine the impact on students’ progression to and completion of a degree. Many states implementing “performance funding 1.0” policies lacked statewide student unit record systems, which are necessary to evaluate empirically the effect of policies and control for independent, explanatory variables. Additionally, most quantitative research does not delineate different design and implementation elements, which qualitative research has shown makes a difference in the impacts observed.⁷ Particularly, studies do not take into account the percentage of total funding allocated through performance funding, which can impact policy effectiveness. Within the next two years, sufficient time will have passed for a full cohort of students to progress through institutions funded under “performance funding 2.0” in several states, which will prove fruitful for future academic research on the policy.

5 Kevin J. Dougherty and Vikash Reddy, “Performance Funding for Higher Education: What Are the Mechanisms? What Are the Impacts,” ASHE Higher Education Report 39, no. 2 (2013): 45-51. Note: This source is cited throughout the performance funding section, as it includes the most comprehensive overview of existing research on the topic done to date. Research on many policies and outcomes of specific programs cited in this document were more intensively studied in those sources.

6 Ibid., 72-77.

7 Ibid., 79-82.

TYPES OF PERFORMANCE FUNDING METRICS AND EXAMPLES

Access measures promote enrollment for underserved populations or increased college-going overall

- Measures of low-income, underrepresented or underprepared students
 - Percentage of underprepared, low-income or underrepresented students of student population measured through indicators such as ACT scores, Pell eligibility or race/ethnicity
 - Closing access gaps among low-income or underrepresented populations using year-over-year data to gauge improvements
- Enrollment numbers (*Typically enrollment increases overall are not the goal of a performance funding system; these measures are vestiges of old enrollment-based formulas)
 - Increases in enrollment using year-over-year data
 - FTE enrollment
 - FTE course completion
- Weights on completion metrics for low-income or underrepresented students (*See completion measures)

Cost measures promote efficiency, affordability and focusing dollars on core mission functions

- Spending or revenue per completion (sometimes illustrated relative to peers) as part of Education and General Revenue or as part of state appropriation and tuition
 - Cost per undergraduate to institution
 - Awards per \$100,000 in Education and General Revenue measured relative to peers
- Spending on specific parts of the academic enterprise such as administrative spending, instruction or core mission activities
 - Administrative spending, in one case as a part of cost of education
 - Expenditures on instruction per FTE with an aim to increase

- Measures aimed at moderating prices for students
 - Increase in tuition and appropriation revenue at or below the increase in Consumer Price Index
 - Need-based aid expenditures per FTE increasing at a rate above tuition

Completion measures promote credit accumulation, transfer and completion

- Measures to promote credit accumulation
 - Completions of remedial sequence
 - Completions of 15, 30 or 60 credit hours
- Completion measures
 - Transfers
 - Completion of certificates or degrees measured as numbers of completers or graduation rates as measured by IPEDS
 - Licensure pass rates
- Measures that emphasize state priorities in completion such as increasing attainment among underrepresented populations or in desired fields of study
 - Completion or credit accumulation measures that weight underrepresented or at-risk populations or provide separate measures for specific populations
 - STEM-H degrees as a weight for an overall measure or used as a separate measure

Other measures seek to accommodate the diversity of institutions, emphasize research and gauge success after college or program quality

- Institution-created measures that are intended to measure access, cost or completion uniquely
- Research funding the most common other measure included in performance funding systems

- Such measures relate to patents and start-ups and externally generated revenue
- Measures that gauge student success after college
 - Employment or wage data
 - Students continuing to graduate school
- Program quality indicators
 - Program accreditation
 - Staff diversity or tenure
 - Student learning as indicated by licensure tests or other assessments

Note: See performance funding appendix table for detailed data and sources.

50-STATE SCAN OF PERFORMANCE FUNDING METRICS

Overview:

- 31 states have metrics on record for performance funding
- 7 states' performance funding systems are not called for or codified in state law
- 26 states have metrics for four-year institutions
- 25 states have metrics for two-year institutions

Funding at stake:

- Only 12 states distribute 5 percent of appropriations or more based on outcomes measures in 2014
 - States were included in this count regardless of whether the money was an additional or bonus funding over the previous year or part of the base appropriation; this distinction is not consistently clarified in policy or budgeting documents and could be considered a false dichotomy—however, it should be recognized that bonus-type models make it easier to abandon funding for performance

- Pennsylvania was included because the percentage is based on total operating funds for the system, not only the state appropriation

- North Dakota was included because general fund appropriations are based on credits completed

Access metrics:

- 8 states include metrics solely based on access, or students entering an institution, as part of the outcomes-based formula
- 16 states weight or separately measure at-risk populations in completion metrics making the explicit connection between access and success

Cost metrics:

- 7 states include a measure of institutional cost or expenditures regarding the instruction and student services

Student debt metrics:

- No states include a metric on student debt

Loan Repayment Metrics:

- No states include a measure of student loan repayment

Completion metrics:

- 31 states include a measure of completion or student progression toward completion
- 16 states provide weighted points for at-risk populations or measure completion and progression success for at-risk populations separately

Note: Performance funding was considered broadly. Thus states with funding based on performance contract agreements with institutions were also included in this scan. See Performance Funding Appendix for detailed data and sources.

Can metrics used in state performance funding policies be used at the federal level?

Metrics used in state performance funding systems can provide ideas for what could be used in a federal accountability policy. Notably, in 2013, approximately 26 states and the District of Columbia voluntarily collected and reported complete data sets of commonly defined progression and completion metrics to Complete College America in partnership with the State Higher Education Executive Officers.

State Examples

Data related to performance funding outcomes should be interpreted with caution as the policy is one factor among many influencing public institutional behavior. Thus, changes in outcomes may not be solely attributable to the performance funding policy.

INDIANA

Indiana is working to coordinate its postsecondary finance policy to influence institutional and student behavior by embedding performance and outcomes criteria into both the institution allocation formula and state student aid policies. The state introduced performance funding in 2003 with new, incentive dollars for research universities. Since then, the finance policy has evolved gradually to include a percentage of existing funding allocated on the basis of multiple performance metrics for all institutions. Starting in 2009, the funding dedicated to performance was incorporated into the base appropriation to prevent the elimination of performance funding in tight budget years, which prior research indicated was common. As of 2013, 5 percent of total state funding for public institutions was allocated based on improvements in the total number of degrees awarded; degrees awarded in science, technology, engineering and math; degrees awarded to Pell Grant recipients; on-time graduation rates; student retention rates; student remediation rates; and an institution-selected productivity metric. The amount of funding determined by performance will grow to 6 percent in 2014.

To complement this institutional performance focus, Indiana recently adjusted its need-based student aid programs to ensure that students are engaged in the types of behaviors (e.g., successive enrollment, credit accumulation, etc.) research has shown lead to completion.⁸

8 Peter M. Crosta, “Intensity and Attachment: How the Chaotic Enrollment Patterns of Community College Students Affect Educational Outcomes,” (New York, NY: Community College Research Center, 2013).

OHIO

Ohio has a longer history than most states with performance funding, evolving from student outcomes metrics driving a small bonus allocation to driving the state's entire State Share of Instruction (SSI) allocation. Ohio established the Performance Challenge in 1995 and the Success Challenge the following year. The Performance Challenge provided bonuses to community and technical colleges, as well as branch campuses, based on the number of students who transferred or relocated after completing 10 or more semester hours of coursework or had transferred and completed their baccalaureate degrees.⁹ This program ended in 2000. The Success Challenge awarded funds to universities that produced students who earned baccalaureate degrees in four years, heavily weighting at-risk students.¹⁰ In terms of effectiveness, the Ohio Board of Regents noted in the years following implementation of the Success Challenge (1997-2007), the total number of baccalaureate degrees awarded increased by 18 percent.¹¹ Administrators also reported higher retention rates after the introduction of this policy.¹²

In 2010, Ohio began implementation of an outcomes-based allocation model that distributed the SSI solely on course completion and degree attainment rates at four-year universities.¹³ A different outcomes-based model was established for the state's community colleges in 2011, with 5 percent of community college funding tied to "success points" representing key academic benchmarks. This amount increased to 10 percent in FY 2013.

In 2013 the legislature adopted recommendations of the Governor's Higher Education Funding Commission, which changed the two-year and four-year formulas. For four-year institutions, 100 percent of the state allocation continues to be allocated on completion metrics, but the formula shifted more weight to degree completion. The state also eliminated a stop-loss for four-year institutions, which protected colleges and universities from losing more than a certain percentage of funding in a given year. For two-year institutions, the plan removed the stop-loss provision and enrollment metric from the formula by the second year. It detailed that the formula must focus on outcomes measures such as course completion, student success points and degree completion recommendations. The detailed two-year formula was subsequently crafted with input by the community colleges, as research notes the importance of broad campus engagement in performance funding policies. Recommendations were presented to the chancellor in December 2013. Ohio's legislature will vote on the new "shared responsibility" policy for community colleges in spring 2014. If the policy is approved, implementation will begin in FY 2015.

9 Dougherty and Ready, "Performance Funding for Higher Education," 25.

10 Ibid., 25.

11 Ibid., 54.

12 Ibid., 56.

13 Illinois Higher Education Finance Study Commission: Hearing before the Illinois Board of Higher Education (2010) (testimony of Eric Fingerhut, Chancellor, Ohio Board of Regents).

Both the two-year and four-year formulas include an at-risk student factor, which rewards institutions for their success with students from underrepresented populations (such as low-income and adult). For more information about the recent changes, see the Ohio Higher Education Funding Commission’s report.¹⁴

PENNSYLVANIA

The Pennsylvania State System of Higher Education (PASSHE) was one of the first multi-institution systems in the country to voluntarily implement performance funding. In 2003, PASSHE began providing 8 percent of the state appropriation to reward increases on performance measures such as retention and graduation. Yet system leaders recognized policy design flaws in the initial system. The 2003 system did not reward year-after-year improvements, and it lacked structure to improve further if benchmarks were reached. In addition, funds were distributed depending on how many institutions did well in a category. Therefore, one year an institution could gain all the funds in a category where it performed well, and the next year if more institutions increased outcomes the pot would be shared among all.¹⁵

Despite the design flaws inherent in the initial formula, the system observed improved outcomes from 2003 to 2010 on multiple metrics. For students, four-year graduation rates increased from 26 to almost 34 percent. Annually, the number of baccalaureate degrees awarded increased by approximately 2,000, or 12 percent. Quality metrics improved as well. The percentage of faculty with terminal degrees increased, and degree programs with specialized education increased from approximately 50 to 80 percent.¹⁶

In 2010, PASSHE revised its policy and began to reward success on five common performance indicators (including number of degrees awarded and graduation rates) and five institution-specific indicators. The performance indicators align with institutional goals regarding student success, access and stewardship. Performance funding currently represents approximately 2.4 percent of the total system operating budget. This was a change from the previous system based on a percentage of the appropriation to stabilize the amount of funding for performance as direct state funding declined. Throughout the tenure of both policies, PASSHE has maintained that performance funding can improve targeted outcomes.

14 Ohio Higher Education Funding Commission. Recommendations of the Ohio Higher Education Funding Commission, (Columbus, OH: 2012), accessed November 30, 2013, <https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/ssi/Ohio%20Higher%20Education%20Funding%20Commission%20-%20Report.pdf>.

15 John C. Cavanaugh and Peter Garland, “Performance Funding in Pennsylvania. Change: The Magazine of Higher Education,” (May/June 2012).

16 Ibid.

TENNESSEE

Tennessee adopted the first performance funding policy in the nation in 1979. Studies on the overall impacts of Tennessee's performance funding policy before 2010 showed that funds involved were small and had little impact on institutions or on student graduation and retention.¹⁷ However, Tennessee's initial performance funding program focused on indicators such as student performance on nationally normed exams and evaluation of instructional programs, instead of completion.¹⁸ Eleven studies on Tennessee reported the performance funding led to greater awareness of institutional performance and goals.¹⁹ Furthermore in response to the indicators, departments at the University of Tennessee developed new course sequences and senior comprehensive exams to increase student performance on exams and changed curricula and program requirements intended to increase graduation rates.²⁰ Further research will be necessary to evaluate the impacts of the new formula.

In 2010, the Complete College Tennessee Act (Senate Bill 7008) called for the Tennessee Higher Education Commission to revamp the funding formula by replacing the state's enrollment-driven formula with an outcomes-based formula based on progress, completion and performance metrics.²¹ The new formula, developed in consultation with institutions, was phased in over a period of three years. The metrics used for four-year and two-year institutions are similar, but vary to recognize the different missions and students served. The priority or weight given to the metrics also varies across institutions to acknowledge institutional differences within each sector. For example, it recognizes the differences in mission, scope and students served between a comprehensive bachelor's-granting university and a doctoral research university. Despite the variations, the formula prioritizes student progression and completion, institutional efficiency and mission-aligned functions, reflecting state priorities and educational attainment needs. The formula also provides extra weight to success with low-income and adult students.

The new allocation model is supplemented by a statewide quality assurance program, which was also considered performance funding. This continuing policy, in place since 1979, rewards institutions based on quality control measures such as accreditation and student passage of licensure exams.²²

WASHINGTON

Washington adopted its first performance funding program in 1997 for public universities

17 Dougherty and Reddy, "Performance Funding for Higher Education," 84.

18 Ibid., 30-32.

19 Ibid., 39.

20 Ibid., 47.

21 Tennessee Code § 49.7-9.

22 HCM Strategists, Performance Funding in Indiana: An Analysis of the Lessons from the Research and Other State Models.

and community colleges. Specifically, funds were held back until institutions met certain threshold requirements in the performance measures. The measures used in the formula were similar to those used today (see table above). Four-year institution measures included persistence, completion, time-to-degree and a measure selected by the coordinating board in consultation with institutions. Two-year institution measures included transfer rates, core course completion rates, hourly earnings of occupational program graduates and time-to-degree.²³ After two years the program was discontinued. Researchers document changes in institutional behavior in Washington.²⁴ Between the first year of the performance funding program and 2004, student completions increased by 38 percent.²⁵ Rates of remedial success also improved.²⁶ However, for most of this period, no performance funding was in effect.

In 2007, the Washington State Board for Community and Technical Colleges (WSBCTC) created the Student Achievement Initiative. Under the new initiative a task force of higher education board members and institutional leaders developed a formula in consultation with the Community College Research Center at Columbia University’s Teachers College. Under the formula, colleges receive money for achievement points accrued on the basis of remedial progress, credit accumulation and degree or certificate receipt based on a growth model with a baseline from 2006. The program was phased in and funds were initially rewarded as a small amount of bonus money. However, the program is now a part of the base or general allocation to institutions from the WSBCTC.²⁷ Completions increased by 22 percent between 2006, when the new system was implemented, and 2010.²⁸ Institutions reacted to this “shared responsibility” policy by removing fees to receive credentials and increased credit requirements for some certificate programs to qualify for achievement points.²⁹

Take-Aways on Performance-Based Funding

Incentives matter. While many do not categorize them as such, enrollment-driven funding policies are a form of performance funding where colleges are funded, and rewarded, for increased enrollments. Commendably, colleges have responded to these incentives for decades, with increased enrollments among women, low-income and minority students.³⁰ The state performance funding policies described in the examples above fund access,

23 Dougherty and Reddy, “Performance Funding for Higher Education,” 33.

24 Ibid., 38, 47-50.

25 Ibid., 54.

26 Ibid., 56.

27 HCM Strategists, Performance Funding in Indiana, 2011.

28 Dougherty and Reddy, “Performance Funding for Higher Education,” 54.

29 Ibid., 33.

30 Davis Jenkins and Nancy Shulock, Metrics, Dollars, and Systems Change: Learning from Washington State’s Student Achievement Initiative to Design Effective Postsecondary Performance Funding Policies. (New York, NY: Community College Research Center, 2013).

progress and outcomes measures. These examples are designed to encourage and support institutions working to implement student success practices and improve the number of students who earn a credential of labor market value. Intermediate effects indicate institutions are altering behaviors to perform better on metrics. Robust empirical research, quantitative, qualitative and longitudinal, should be done to provide more conclusive evidence on the effects of performance funding policies. States with longstanding policies funded at higher levels should be prioritized for study. Concurrently, good design principles on performance funding formulas should be articulated regarding metrics, formula design, implementation strategy and funding levels to significantly prompt organizational behavior changes.

STATE FINANCIAL AID

Financial aid is necessary for promoting access and affordability, which are key building blocks for any state trying to increase higher education attainment. Financial aid also can provide strong signals to students (and the institutions enrolling them) on what is expected to make on-time progress toward a degree and complete a credential.

Financial aid policy is another way states are seeking to promote student outcomes. When expectations are set for students and institutions through state aid program requirements, both parties share responsibility for meeting those expectations. Increasingly states are embedding incentives in financial aid policy to increase student outcomes, such as requirements for progression and completion. For improving outcomes such as persistence and completion among students, researchers have found aid conditioned on college performance and completion appears to be more effective than aid with no strings attached.³¹ Additionally, when the federal student loan cohort default rate calculation and subsequent penalties were first implemented for institutional eligibility for federal student aid, institutions learned to manage default rates, at times with the help of the Office of Federal Student Aid at the Department of Education.

State Examples

Expectations for enrollment intensity increase the rate of credit accumulation.

MINNESOTA

Minnesota is one of a few states that prorate financial aid based on a maximum semester course load of 15 credits, instead of 12. For a student to earn a credential on time from a traditional higher education program (two years for an associate degree, four years for

31 Susan Dynarski and Judith Scott-Clayton, Financial Aid Policy: Lessons from Research, *The Future of Children* 23, (2013).

a baccalaureate degree), he or she needs to earn 30 credits or the equivalent per year. Current federal regulation and most state grant programs define full-time as 12 credits per term, which means students taking this course load are automatically on track to graduate in more than 100 percent of time.³² In these cases, enrollment intensity and credit accumulation for needy students tend to be much lower. The additional time costs the student at least an additional year of college expenses and forgone income.

The Minnesota State Grant Program’s 15-credit-hour policy shows encouraging results. In 2011, more than half of the state’s eligible low-income students—57 percent—took 15 or more credits per term.³³ In comparison, 32 percent of all Pell Grant recipients took 15 or more credits a semester in 2007-08.³⁴

WEST VIRGINIA

In West Virginia, a quasi-experimental analysis found that annual requirements for scholarship renewal of the merit-based West Virginia PROMISE positively impacted outcomes for students. The annual requirements included specified levels of credit accumulation and GPA benchmarks. In fact, the research found that the increased credit completion requirements improved four-year graduation rates among recipients by almost 7 percentage points.³⁵

INDIANA

House Bill 1348 of 2013 altered the administration of state grants in Indiana.³⁶ The new law requires students receiving the need-based Frank O’Bannon Award (O’Bannon Award) to complete 30 credit hours their first year, 60 by the end of their second year and 90 by the end of their third year for an “on-time” or maximum award. Students may still receive an award if they do not earn the higher number of credits, but the grant will be a slightly smaller dollar amount. Students must still complete 24 credits by the end of their first year, 48 by the end of their second year and 72 by the end of their third year to continue participating in the program. For the need- and merit-based 21st Century Scholars Award, the new law requires recipients to complete 30 credits their first year, 60 by the end of their second year and 90 by the end of their third year. Students who do not reach those milestones may still receive an O’Bannon Award if they satisfy the credit comple-

32 HCM Strategists, Tracking Momentum: Edition 11, (Washington, DC: April 2013), accessed on December 3, 2013, http://hcmstrategists.com/content/Momentum_ENewsletter_Apr_13.pdf.

33 Minnesota Office of Higher Education, Minnesota State Grant End-of Year Statistics Fiscal Year 2011, (Saint Paul, MN: January 2012), accessed December 3, 2013, <http://www.ohe.state.mn.us/pdf/state-grant-statistics-2011.pdf>.

34 HCM Strategists, Tracking Momentum: Edition 11.

35 Judith Scott-Clayton, “On Money and Motivation: A Quasi-Experimental Analysis of Financial Incentives for College Achievement,” *Journal of Human Resources* 46, (2009).

36 Indiana Code § 21.7-12.

tion requirements. If these benchmarks are not met, the student can become eligible for the 21st Century Scholars program again by meeting required annual credit completion benchmarks in a future year.

The new grant provisions also provide flexibility for students. The law sets up an appeals process for students unable to meet the requirements. In addition, academic years enrolled do not have to be consecutive, and students may use their awards year-round. Year-round awards allow students to take advantage of lower summer tuition and to supplement their Pell Grant dollars, which cannot be used during summer.

Provisions for additional financial incentives were included in the new law to encourage students eligible for the need-based O'Bannon Award to excel in academics and accelerate completion. Incentives are provided to students who receive academic/technical honors diplomas for freshman year, and academic honors, defined as obtaining a 3.0 or higher, in sophomore, junior and senior year. Acceleration is rewarded when students accumulate 39 credits in their first year and 78 credits in their second year. Incentives are the same dollar amount for each student, regardless of institution type.

Other completion-focused provisions include:

- A requirement that all students at public institutions must receive degree maps for the 2014-2015 academic year;
- The establishment of a grid system for base awards displayed by the Expected Family Contribution (EFC) of students, regardless of dependency status; and
- Replacement of the tiered GPA policy with a Satisfactory Academic Progress measure as defined by the institution.

COLORADO

In January 2013, the Colorado Commission on Higher Education decided to allocate need-based financial aid funds to institutions based on their success with low-income students. In Colorado, institutions are highly dependent on state student aid funds because of low per-student state expenditures. Thus, institutions are viewed as the primary recipient and agent of financial aid funds. Features of Colorado's "shared responsibility" financial aid policy include: better targeting of aid to full-time students who are low-income, standardizing award amounts for all types of institutions, providing increased allocations to institutions after students reach 30, 60 and 90 credits to promote progression, and discouraging enrollment of students past their completion of 120 credits.³⁷ The commission states that the new plan will maintain flexibility and increase predictability for institutions; in turn, the change in funding to institutions will provide them with a strong incentive to create similar incentives for students.

37 HCM Strategists, Tracking Momentum: Edition 11.

CALIFORNIA

In the 2011-12 California budget, new Cal Grant eligibility standards for institutions were set with cut scores for cohort default rates. The 2012-13 state budget tightened institutional eligibility standards further, requiring institutions to maintain a cohort default rate (CDR) at or under a three-year CDR of 15.5 percent and a graduation rate at or above 30 percent in order to participate in the program. The standards eliminated 154 schools from the program, which represented 35 percent of all institutions and 80 percent of for-profit institutions in the state.³⁸ Justifications provided for the new standards included Cal Grant program costs and high-profile criticism regarding student outcomes at for-profit institutions.

The state Legislative Analyst’s Office (LAO), a nonpartisan fiscal and policy analysis body for the legislature, reported problems suggesting the new standards constrained access because many for-profit institutions lost eligibility. Long-term effects on access could not yet be determined, but enrollment statistics show low-income, older, independent and minority students were disproportionately affected because the for-profit institutions they attended were eliminated from the program. California’s three public systems, the University of California, the California State University and the California Community College System, are already oversubscribed and unable to meet current student demands for enrollment.

Other issues cited by the LAO were unprecedented institutional exemptions and the ability of institutions to manipulate measures. The law exempts measuring graduation rates at institutions where fewer than 40 percent of undergraduates borrow federal loans. In effect, the law exempts community colleges from the default rate or graduation rate standards. The LAO also noted that an alternative measure for repayment would be desirable because cohort default rates can be manipulated.³⁹

TUITION POLICY

State tuition policies can be structured to drive improved student outcomes. However, not all tuition policies intended to improve outcomes also promote greater affordability.

Seventy percent of students pursue higher education at a public institution.⁴⁰ Because expanding Income-Based Repayment for federal student loans may disrupt borrowers’ incentives to borrow and spend prudently as well as institutions’ incentives to heed con-

38 California Student Aid Commission, “1st in Nation Graduation and Loan Default Rate Benchmarks Eliminate 154 Schools,” (Sacramento, CA: July 31, 2012).

39 Legislative Analyst’s Office, An Analysis of New Cal Grant Eligibility Rules, (Sacramento, CA: January 7, 2013).

40 National Center For Education Statistics, IPEDS Data Center, 12-month unduplicated head count for 2011-12 calculated by author January 16, 2014.

sumer price and value sensitivities, federal policymakers should be aware of how public tuition-setting authority and policy vary at the state level. State policies regarding tuition are generally intended to moderate tuition increases through direct appropriations. Some states have begun to establish new policies involving tuition that include using tuition policy to incentivize student behavior or encourage greater outcomes at institutions.

Who Sets Public Tuition? A National Scan of Tuition-Setting Authority

At public institutions, tuition-setting authority resides primarily with system- or institution-level decisionmakers. This is the case in 46 states for four-year public institutions and in 47 states for two-year public institutions. In fact, state legislatures and governors rarely have complete control over tuition and fee levels. Even in states where the governor has full legal decisionmaking authority over a system of public higher education, he or she rarely usurps the role primarily entrusted to those who manage higher education.

Institutional sector	States where the governor or legislature has primary tuition-setting authority	States where the governor has full legal decisionmaking authority, but another entity has primary authority
Two-year sector	3	4
Four-year sector	4	4

Source: State Higher Education Executive Officers, 2012-13 State Tuition, Fees, and Financial Assistance Policies, <http://www.shceo.org/resources/publications/state-tuition-fees-and-financial-assistance-policies>. Results from the 2010-11 study were used or information was obtained from state websites for states that did not participate in the 2012-13 study.

Yet, the act of setting tuition at public colleges and universities has been described by higher education policy analysts as a political action with shared authority, and thus shared influence exerted by state elected officials, higher education governing boards and institutions. With numerous parties sharing responsibility in the negotiation of tuition levels, it becomes unclear where full responsibility lies.⁴¹

Banded Tuition

Banded tuition, which allows students to take 12 or more credits for the same price, encourages students to take a true “full-time load” per semester and graduate on time. Students who complete 30 or more credits in their first year are about twice as likely to graduate as those who complete fewer than 24 credits in their first year. Students who

41 Michael Mumper, “The Paradox of College Prices,” in *The states and public higher education policy: affordability, access, and accountability*, ed. Donald Heller, (Baltimore: The Johns Hopkins University Press, 2001).

complete 30 or more credits per year are about 10 percent more likely to graduate than those who complete 24-29.9 credits a year.⁴²

Deregulation of Tuition-Setting Authority

Public institutions desire autonomy from states, especially when state appropriations decrease or do not increase at rates equal to inflation or above. In exchange for increased autonomy with some ties to increased performance, state legislatures have allowed institutions greater autonomy to raise tuition prices.

State Examples

HAWAII

At the University of Hawaii System, banded tuition policies were advertised leading to large upticks in the number of students taking 15 credit hours per semester. The university publicized the extra credits students needed to reach 15 as “FREE” credits or courses. After this policy took effect, the number of undergraduates taking 15 credits per semester increased by 14.7 percent in one year.⁴³

LOUISIANA

The GRAD Act of 2010 established performance funding for public institutions in Louisiana that ties institutional performance to reduced regulation of tuition setting. The Board of Regents established performance agreements with each institution. Institutions must meet 80 percent of the performance objectives in order to receive 15 percent of the base appropriation distributed on performance as well as gain the ability to raise tuition up to 10 percent. (Refer to performance funding appendix table for types of measures.)⁴⁴

VIRGINIA

The Restructured Higher Education Financial and Administrative Operations Act of 2005 also reduced regulation of tuition setting by providing primary tuition-setting authority to the Board of Visitors at each public institution. In exchange for newfound autonomies,

42 Complete College America, *The Game Changers: Are States Implementing the Best Reforms to Get More College Graduates?* (Washington, DC: 2013) accessed December 15, 2013, <http://www.completecollege.org/pdfs/CCA%20Nat%20Report%20Oct18-FINAL-singles.pdf>.

43 “Best Practices: Full-Time is Fifteen,” Complete College America, accessed December 9, 2013. <http://www.completecollege.org/strategies.html#stratHolderFullTime>.

44 Louisiana Revised Statutes § 17.3139-3386.

institutions were required to agree to the following state goals:

- access
- affordability
- academic offerings
- academic standards
- student progress and success
- articulation and dual enrollment
- economic development
- research
- enhancing K-12
- six-year financial plans
- differentiated levels of finance and administrative operational authority
- campus safety and security⁴⁵

Performance measures or metrics and standards were developed in the years following the law's passage to determine whether the institutions were meeting the state goals outlined in the law. Afterward metrics and institution-specific performance targets were set. The state retained full legal decisionmaking authority, providing the ultimate power to regulate tuition if policymakers lose trust in the law. The secretary of education involved in the process predicted that institutions' new primary tuition-setting authority would last as long as legislators did not feel the need to influence tuition.⁴⁶ Studies have yet to show the effects of the policy.⁴⁷

DASHBOARDS

State dashboards show metrics determined to be of value to state postsecondary stakeholders using available data. The effect of state dashboards on policy or student choice remains unclear, yet policies to create these tools have expanded in recent years.

State postsecondary dashboards graphically depict institutional metrics for policymaker

45 Code of Virginia § 23-38.

46 Lara K. Courturier, "Checks and Balances at Work: The Restructuring of Virginia's Public Higher Education System," (San Jose, CA: The National Center for Public Policy and Higher Education, 2006).

47 David W. Leslie and Robert Oliver Berdahl, "The Politics of Restructuring Higher Education in Virginia: A Case Study," *The Review of Higher Education* 31, 3 (2008), 309-328.

decisionmaking and accountability or consumer awareness. However, the extent of their use among policymakers and consumers is unknown.

A National Scan of Interactive Online Postsecondary Dashboards

Federal efforts, such as College Navigator and the College Scorecard, enable policymakers and the public to view input and output measures for individual institutions. The heightened attention to student outcomes at institutions of higher education has also led states to create online tools to display measures of inputs and outputs for policymaker and consumer uses. These tools have been described as dashboards. State dashboards were included in this analysis, if they met the following specifications:

- A state higher education system, coordinating board, governing board or state agency created the tool or partnered with an outside organization to create it.
- The tool is available online and operates through an interactive interface that allows the public to view graphical depictions of institutional metrics. (States with published reports or web pages that are not interactive were not included, nor were web pages that include numerical descriptors without graphic depictions.)

Dashboards were considered to function as a comparison tool if:

- Institution-level input or output data are displayed relative to a state or national measure of central tendency.

The dashboards developed by some state entities did not draw direct comparisons between institutions and statewide or national statistics, or did not do so clearly. The absence of clear comparative functions on state dashboards may make it difficult for policymakers and consumers to make judgments about institutional performance because users would have to record data, print web pages or keep multiple windows open on their browser to make the comparisons.

State Higher Education Dashboards	
States with dashboards	10/50
Dashboards that include access measures	6/10
Dashboards that include cost/price measures	4/10
Dashboards that include completion measures	6/10*
Dashboards that include debt/repayment measures	1/10
Dashboards that include measures of graduate earnings	6/10
Dashboards that function as part of a comparison tool between institution-level data and national/statewide measures	8/10**

**Number of completers measure in the Economic Success Metrics is not considered a completion measure because there is no indicator regarding the rate of completion relative to non-completion.*

***The Virginia dashboard hosted through College Measures LLC makes direct comparisons of graduates’ earnings from specific institutions or degree programs to state averages. The Virginia College Navigator dashboard hosted by the State Council of Higher Education for Virginia does not provide context around metrics or allow for direct comparisons on the web page. The Minnesota dashboard allows for comparisons based on a display of dials, which show if an institutional metric needs attention, meets expectations or exceeds expectations. The method provides context for an institutional measure, though not an explicit comparison to a national or state statistic. Minnesota was counted because several institutional measures featured in the dials signify the status of an institution’s measure in comparison with similar institutions nationally. Definitions of the measurements and color scoring methods must be examined to discover how each measure was calculated and compared. Not all of the institutional metrics in the Minnesota dashboard are put into the context of meeting or exceeding expectations based on national or state statistics. Some measures are based on data trends that measure an individual institution against its historic outcomes.*

The overall analysis refers to websites maintained by: Arizona Board of Regents, California Community Colleges Chancellor’s Office, College Measures Economic Success Metrics, Minnesota State Colleges and Universities, State Council of Higher Education for Virginia, Texas Higher Education Coordinating Board, and Washington State’s Office of Financial Management. Currently, Florida data are available through College Measures.

However, the Florida Department of Economic Opportunity is developing BeyondEducation.org, a website separate from the main College Measures site, but developed by College Measures.

Note: California only uses dashboards for community colleges (two-year sector); Arizona only uses dashboards for universities (four-year sector); Washington only uses dashboards for the four-year sector.

State Examples

COLLEGE MEASURES ECONOMIC SUCCESS METRICS PROGRAM

The majority of existing state tools were developed in partnership with the College Measures LLC Economic Success Metrics Program and display average or median earnings for graduates from primarily public institutions. Users can view the first-year salary

of graduates from an institution by degree level or program level in comparison with corresponding statewide statistics and in comparison with the same degree program at other state institutions. The tools hosted on the College Measures Economic Success Metrics website generally do not feature statistics outside the scope of measures needed to determine graduate earnings. However, Florida’s dashboard, released in 2014, does provide further information on students’ average federal loans and graduates’ status of subsequent employment, continued education and reliance on public assistance.⁴⁸

TEXAS

In Texas, the Compare College TX tool developed by the Texas Higher Education Coordinating Board in partnership with College Measures LLC is hosted on a unique site. It displays the average first-year earnings for graduates, as well as numerous other institutional measures. The tool includes a range of data from remedial success rates and percent of Pell students to percentage of full-time faculty members in comparison with statewide statistics. It is the most extensive state dashboard that draws direct statewide comparisons in the nation.

Conclusion

States have implemented performance funding, student aid, dashboards and tuition-setting policies utilizing metrics to promote better outcomes in higher education. In exchange for incentives, many of these policies increase institutional and student responsibilities for success. Early evidence provided by analyses of these outcomes-driven state policies that increase expectations for institutions or students should be used to inform new federal policies. Lessons from these policies include:

- *Utilize a consensus-driven process with institutions.*
- *Implement policies over time.*
- *Provide additional incentives, such as weights, to promote success on outcomes or among key populations.*
- *Align incentives for institutions and for students toward the same goals.*

48 “Economic Success Metrics (ESM) Program,” College Measures, LLC, accessed October 15, 2013, <http://collegemeasures.org/esm/3>

- *Attach funds significant enough to make a difference.*
- *Reward improvement.*

Further observation and analysis of these state policies is needed. However, current indications provide input on what effects certain outcomes-based incentives may have when implemented on a larger scale.

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Performance Funding Appendix

This table is an effort to scan all metrics in use at the state level regarding funding and determine which categories policymakers and institutions chose to evaluate the relative performance of colleges and universities. States with performance-metrics-based formulas that are currently not funded or are transitioning were included. States developing performance funding metrics, which are not currently public or in pilot form without intent to subsequently establish more permanent metrics, were not included.

Note on funding levels: 5 percent was chosen arbitrarily as a benchmark for measurement. State higher education policy analysts have been using this as a proxy measure of significant funding without well-explained reasons. In this study distinguishing between base and bonus was not undertaken as it is not explicit in some policies or budgets, which would require assumptions to be taken regarding intent or raising higher education funding in a fiscal year.

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Arizona</p> <ul style="list-style-type: none"> - In Law - 4-year 	<p>FY 2014 budget allocated \$5 million to Arizona Board of Regents</p> <ul style="list-style-type: none"> - Funding is not part of base appropriation 			<p><u>Metrics:</u></p> <ul style="list-style-type: none"> - Degree completion - Credit hour completion - STEM and high-need field degrees are weighted more heavily 	<p><u>Metrics:</u></p> <ul style="list-style-type: none"> - Externally generated research and public service funding
<p>Arkansas</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 2013-14, 5% of the base appropriation was distributed through outcomes metrics - The percentage of the base appropriation distributed through outcomes will increase by 5% per year until 25% is distributed in this method in 2017-18 - The legislature capped the increment to go no higher than 10% of the base "until equity funding is reached in base funding" 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Percent Pell <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Proportion low-income students - Proportion underprepared students using ACT equivalent <p>*Completion metrics account for at-risk populations</p>	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - BA credentials - All credentials certificate and above - STEM credentials - Progression - Optional: Course completion; high-demand credentials; minority student credentials; nontraditional credentials; regional economic need credentials; remedial credentials; transfer student credential <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Remedial course success - Nonremedial course success - Progression - Certificates of proficiency - Technical certificates - Associate degrees - Total credentials - Optional: STEM credentials; high-demand credentials; workforce training contact hours; transfers after 12 hours; adult credentials; minority credentials 		<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Optional: Expenditure of federal funds; patents; start-ups <p>2-year Metrics:</p> <ul style="list-style-type: none"> - Optional: Employment

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Colorado</p> <ul style="list-style-type: none"> - In Law - 2- and 4-year 	<ul style="list-style-type: none"> - Begins no earlier than FY 2016-17; 25% of the amount by which the General Fund appropriation exceeds \$650 million in total higher education operating appropriations minus any student financial aid appropriations would be put toward performance - Performance funding implemented only when total state higher education General Fund appropriations are restored and reach at least \$706 million 	<ul style="list-style-type: none"> - Metrics and (Benchmarks) - Proportion of newly enrolled residents from underserved populations (annual increase) - Institutionally developed (TBD by individual institutions) <p>*Completion metrics account for underserved populations</p>	<ul style="list-style-type: none"> - Metrics and (Benchmarks) - Degrees awarded per \$100,000 in total operating E&G revenue (maintain rank relative to peers) - Resident tuition increases when state general fund revenues increase above inflation (moderate price) - Expenditures for instruction per FTE (increase) - Institutional need-based aid expenditures per FTE (Increase at a rate above tuition increases) - Institutionally developed (institutionally developed) <p>*Must use two metrics of this type</p>	<ul style="list-style-type: none"> - Metrics and (Benchmarks) <p>Mandatory:</p> <ul style="list-style-type: none"> - Credentials awarded (increase by 1% per year) - Undergraduate credentials conferred per 100 enrollees (at level at or among top 25% of peer institutions) - Maintain graduation rates (at rates at or among top 25% of peer institutions) - Reduce degree completion gap for graduates per 100 FTE between resident underserved and resident non-underserved students (reduce annually) - Reduce graduation rate gap between resident underserved and resident non-underserved students (reduce annually) <p>Optional:</p> <ul style="list-style-type: none"> - Graduation rates of transfer students (annual increase) - Proportion of undergraduate credentials in STEM (annual increase) - Graduate degree productivity per 100 FTE grad students (annual increase) 	

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - - Institution-developed Indicator (TBD by individual institution) - Completion of intro gateway English and math courses (annual increase) - Students accumulating 24 credit hours (annual increase) - Transfer-out rate of degree-seeking AA or AS students with 12+ credit hours (annual increase) - Completion of remedial course sequence (annual increase) - Retention rates all levels (annual increase) - Institution-developed indicator (TBD by individual institution) - Gap in successful completion of entry-level English and math courses (reduce annually) - Gap in underserved earning STEM credential (reduce annually) - - Gap in transfer-out rates between underserved and non-underserved residents (reduce annually) 	

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Gap in retention rates (reduce annually) - Proportion of underserved earning graduate degrees (annual increase) 	
<p>Florida</p> <ul style="list-style-type: none"> - In law - 4-year 	<ul style="list-style-type: none"> - \$20 million - Approximately 5% of total general appropriation act operating funds - Cuts from the previous years were restored in the 2013-14 budget plus over \$100 million in construction projects - The \$20 million is new money 	<p>Metrics:</p> <ul style="list-style-type: none"> - Percent of undergraduates with a Pell Grant 	<p>Metrics:</p> <ul style="list-style-type: none"> - Average cost per undergraduate to institution 	<p>Metrics:</p> <ul style="list-style-type: none"> - Six year graduation rate (full-time and part-time FTIC) - Academic progress rate (2nd year retention with GPA above 2.0) - Bachelor's degrees awarded in areas of strategic emphasis including STEM - Graduate degrees awarded in areas of strategic emphasis including STEM 	<p>Metrics:</p> <ul style="list-style-type: none"> - Percent of bachelor's graduates employed and/or continuing their education further 1 year after graduation - Median average full-time wages of undergraduates employed in Florida 1 year after graduation - Freshmen in top 10% of graduating high school class - Board of Governors choice - Board of Trustees choice
<p>Georgia</p> <ul style="list-style-type: none"> - System-level - 2- and 4-year 	<ul style="list-style-type: none"> - New funds based on improvements on metrics FY2016 and forward - Further negotiations on metrics needed. Only those agreed upon were listed 	<p>*Completion metrics account for at-risk populations</p>		<p>Metrics:</p> <ul style="list-style-type: none"> - Student progression - Awards conferred (including GED Diplomas) - Weights for adult learners and Pell Grant recipients 	

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
Hawaii - In law - 2-year	- Up to 2% of annual appropriations	Metrics: - Percent of students with a Pell Grant *Completion metrics account for at-risk populations		Metrics: - Degrees and certificates awarded - Degrees and certificates awarded to Native Hawaiian students - Degrees and certificates awarded to students in STEM - Number of transfers to the baccalaureate campuses	
Illinois - In law - 2- and 4-year	- Less than 1% in FY 2013 - No stop-loss	*Completion metrics account for at-risk populations	4-Year Metrics: - Education & general spending per completion	2-Year and 4-Year Metrics: - Weights provided for low-income (Pell-/MAP-eligible) students; adults (25 years or older); Hispanic or African-American students 4-Year Metrics: - Degrees granted (baccalaureate, master's, doctoral and first professional) - Bonus for STEM and health degrees - Undergraduate degrees per 100 undergraduate FTEs	4-Year Metrics: - Research and public service expenditures

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				2-Year Metrics: - Degree and certificate completion - Degree and certificate completion of at-risk students - Transfer to a 4-year institution - Developmental advancement - Momentum points - Transfer to a community college	
Indiana - In law - 2- and 4-year	- 6% in FY 2014	*Completion metrics account for at-risk populations		2- and 4-Year Metrics: - Overall degree completion (certificate, associate, baccalaureate, master's and doctoral) -At-risk (low-income/ Pell-eligible) degree completion - High-impact degree completion—STEM - Remediation successful completion of remediation and successful completion of gateway course in same subject area - On-time graduation rate improvement - Productivity metric-negotiated with each institution	2-Y

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Persistence measure for non-research: 30 and 60 credits <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Persistence measure: 15, 30 and 45 credits 	
<p>Kansas</p> <ul style="list-style-type: none"> - In law -2- and 4-year 	<ul style="list-style-type: none"> - 0% of total state budget allocation, as only new funds will be distributed to institutions meeting performance agreements and funding for FY 2014-15 dropped - Based on improvement, stagnation or declining performance on indicators, institutions are available for respectively 100%, 90% or no percent of new funding available 			<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - First-to-second-year retention rates - Number of certificates and degrees awarded - Six-year graduation rates - Percent of degrees and certificates awarded in STEM fields <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - First-to-second-year retention rates of college-ready cohort - Three-year graduation rates of college-ready cohort - Number of certificates and degrees awarded - Student Success Index 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Selected regional and national ranking - Performance of students on institutional assessments - Performance on quality measures compared with peers <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Performance of students on institutional quality measures, such as National Community College Benchmarking Project or Noel-Levitz Benchmarking Surveys - Percent of students employed

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Percent of students transferred (measure included with students employed, which is separated between columns for this display) - Third-party technical credentials and WordKeys, which leads to ACT's National Career Readiness Certificate 	
<p>Louisiana</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 15% of total state budget allocation - The 15% is distributed to institutions that achieve 80% of performance targets - Institutions that achieve 80% of performance targets may raise tuition up to 10% 			<p>2- and 4-Year Metrics:</p> <ul style="list-style-type: none"> - Retention - Program completers - Pass rates on licensure or certification exams - Articulation and transfer <p>*Performance targets are negotiated between institutions and Board of Regents</p>	<p>2 and 4-Year Metrics:</p> <ul style="list-style-type: none"> - Research and development - Employment of completers - Institutional efficiency and accountability <p>*Performance targets are negotiated between institutions and Board of Regents</p>

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Maine</p> <ul style="list-style-type: none"> - System-level - 4-year 	<ul style="list-style-type: none"> - 5% for FY 2014 - Stop-loss of 2% in FY 2014 - 5% increase per year until 25% is reached 	<p>*Completion metrics account for at-risk populations</p>	<p>Metrics:</p> <ul style="list-style-type: none"> - Awards per \$100,000 of state appropriations + tuition 	<p>Metrics:</p> <ul style="list-style-type: none"> - Awards-certificates, associates, baccalaureates, advanced - Premiums for degrees in STEM, health and regional need field - Momentum points: 30-59 credits and 60-89 credits - Premiums awarded for underserved populations who complete associate or bachelor degrees or transfer with 30 or more credits 	<p>Metrics:</p> <ul style="list-style-type: none"> - Research and development revenues and numbers of contracts - Premiums for contracts with Maine partners
<p>Massachusetts</p> <ul style="list-style-type: none"> - In law - 2-year 	<ul style="list-style-type: none"> - 50% in 2013-14 	<p>*Completion metrics account for at-risk populations</p>		<p>Metrics:</p> <ul style="list-style-type: none"> - Completions of certificates and associate degrees - Transfers with at least 24 credit hours - Momentum points: 30 credit hours, completion of first college-level English, completion of first college-level mathematics - Awards per 1000 FTE - Success rate - using "Achieving the Dream" definition - Premiums for awards in priority fields (30%) - Premiums for awards to underserved populations (30%) 	

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Michigan</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - FY 2014 \$18.9 million for 4-year institutions allocated from a 2% funding increase with \$3 million shifted to other budget items - FY 2014 \$5.8 million allocated to 2-year institutions from a 2% funding increase 	<p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Enrollment/contact-hour equated students 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Institutional support as % of core expenditures (versus that of Carnegie peers) - Tuition increase may not exceed 3.75% to participate in performance funding allocation <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Administrative spending 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Six-year graduation rates - Total degree completions - Number of degrees awarded in STEM or critical fields - Requirements to participate in performance funding allocation: must participate in at least 3 reverse transfer agreements with good-faith effort; must maintain a dual-enrollment credit policy that does not consider whether credits were used toward high school graduation; must participate in Michigan Transfer network <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Weighted degree completions 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Research and development expenditures <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Across-the-board improvement - Local strategic value
<p>Minnesota</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 5% of total appropriations for FY 2015 withheld for entire public higher education system until 3 of 5 performance goals are met 			<p>Metrics:</p> <ul style="list-style-type: none"> - Graduates or degrees, diplomas or certificates conferred (increase by at least 4 percent in FY 2013 compared with FY 2010) 	<p>Metrics:</p> <ul style="list-style-type: none"> - Employment rates (increase by 4 percent FY 2013 employment rate for 2012 graduates in comparison with the 2011 rate for 2010 graduates)

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
					<ul style="list-style-type: none"> - Number of Open Educational Resources tools and services (Actualize a 1 percent reduction in expenses related to cost of instruction to students) - Reallocate the funding that became available through savings actualized from Open Educational Resources tools and services
<p>Mississippi</p> <ul style="list-style-type: none"> - In law* - 4-year <p>*The system, not the state, instituted PBF. State legislators made it possible by removing a provision from law that required funds to be distributed in the same manner as the previous year</p>	<ul style="list-style-type: none"> - In FY 2014 15% of public university appropriations based on performance - Reported to have a phase-in and percent is expected to increase - Stop-loss and stop-gain is in place for first years of the transition 			<p>Metrics:</p> <ul style="list-style-type: none"> - Degree completion - Intermediate outcomes: student completion of 30, 60 and 90 credit hours - Degrees per 100 FTE 	<p>Metrics:</p> <ul style="list-style-type: none"> - Research expenditures - Links to K-12 education-TBD

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Missouri</p> <ul style="list-style-type: none"> - Coordinating Board policy (may become law in 2014) - 2- and 4-year 	<ul style="list-style-type: none"> - Funded with new money - Funds have not been appropriated 		<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Institutions choose either: increase in educational revenue (state appropriations plus net tuition revenue) per FTE student at or below the increase in the CPI; percent of total education and general expenditures expended on core mission (instruction, research, public service) <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Institution-specific measure of fiscal responsibility and efficiency 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Institutions choose either: freshman-to-sophomore retention, first-time full-time freshmen successfully completing 24 hours in their first academic year - Institutions choose either: total degrees awarded; six-year cohort graduation rate <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - 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 four-year institution) - Percentage of developmental students who successfully complete their last developmental English course, who then successfully complete their first college-level English course- Percentage of developmental students who successfully complete their last developmental mathematics course, who then successfully complete their first college-level mathematics course 	<p>4-</p>

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Percentage of career/technical graduates who pass their required licensure/certification examinations 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Institutions choose either: improvements on assessments of general education; improvements on assessment in the major field; improvements on professional/occupational licensure tests - Institution-selected, mission-specific metric
<p>Montana</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - An additional 5% (\$7.5 million) on top of the total general fund appropriation available for pilot in FY 2015 - Longer-term, more comprehensive metrics to be developed and finalized in the future 			<p>Pilot Metrics:</p> <ul style="list-style-type: none"> - Annual number of undergraduate degrees and certificates awarded - Percentage of first-time, full-time freshmen returning for a second year of enrollment at the same institution or another in the Montana University System 	
<p>Nevada</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 5% in year one, FY 2015, increasing by 5% per year to 20% by FY 2018 - Stop-loss in place and operative for first two years 	<p>*Completion metrics account for at-risk populations</p>		<p>2- and 4-Year Metrics:</p> <ul style="list-style-type: none"> - Degrees awarded: certificate (at least 30 credits), associate, bachelor's, master's and doctoral (Weights for Pell-eligible and minority graduates) - Gateway course completers – non-research institutions only 	<p>2- and 4-Year Metrics:</p> <ul style="list-style-type: none"> - Institution-selected field regarding economic development <p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Sponsored research expenditures at research universities only

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Awards per 100 FTE - STEM-H graduates 4-Year Metrics: Numbers of transfer students received with associate degrees 2-Year Metrics: - Transfer students with at least 24 credits 	
<p>New Mexico</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 5% in FY 2013; reduced to 3.5% in FY 2014 	<ul style="list-style-type: none"> *Completion metrics account for at-risk populations 		<p>Metrics:</p> <ul style="list-style-type: none"> - Degrees and certificates awarded - Degrees awarded in STEM and health care professional fields - Degrees awarded to Pell-eligible students 	
<p>North Carolina</p> <ul style="list-style-type: none"> - In law - 2-year 	<ul style="list-style-type: none"> - Up to 2% of previous year's General Fund appropriations will be available for successful performance on metrics - Additional funds may be available for exceeding performance on all measures - FY 2013-14 			<p>Metrics:</p> <ul style="list-style-type: none"> - Basic skills student progress - Developmental student success rate in college-level English and math courses - First-year progression - Licensure and certification passing rate - GED diploma passing rate - Student retention and graduation - College transfer performance 	

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>North Dakota</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - In the 2013-15 budget, general fund appropriations will be based on credits completed - An additional \$5 million available through TBD performance measures 			<p>Metrics:</p> <ul style="list-style-type: none"> - Credit completion - Credits are weighted by level and in relation to state workforce needs 	
<p>Ohio</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<p>FY 2014 new formulas:</p> <ul style="list-style-type: none"> - 4-year: 80% performance measures, 20% medical/doctoral set-aside; - 2-year: 50% performance measures, 50% enrollment measures - In FY 2015, 2-year institutions will shift entirely to funding course completion, student progression and credential completion/transfer; eliminating the enrollment component of the formula 	<p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Enrollment accounts for 50% of formula - The enrollment metric will be removed in FY 15 <p>*Completion metrics account for at-risk populations</p>		<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Degree completion (accounts for 50% of 4-year formula) - Course completion (accounts for 30% of 4-year formula) - Weights for students eligible for state need-based aid (apply at-risk weight at the student level) and STEM (at course and degree level) <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Course completions (accounts for 25% of 2-year formula) - Success/momentum points (accounts for 25% of 2-year formula) 	<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Doctoral and medical funding set-aside accounts for 20% of 4-year formula

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>Oklahoma</p> <ul style="list-style-type: none"> - System-level policy - 2- and 4-year 	<ul style="list-style-type: none"> - \$2 million distributed through formula - Only additional funds/new money beyond the base appropriation are distributed through performance formula 	<p>*Completion metrics account for at-risk populations</p>		<p>Metrics:</p> <ul style="list-style-type: none"> - 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 Complete College America targets) 	<p>Metrics:</p> <ul style="list-style-type: none"> - Program accreditation
<p>Oregon</p> <ul style="list-style-type: none"> - System-level policy - 4-year 	<ul style="list-style-type: none"> - \$6.9 million for the current biennium -As Oregon establishes a coordinating board, it is reported that a 2-year formula will be created and the 4-year policy may be affected in the future - New law provides authority to the coordinating board to develop rules governing distribution of appropriations 	<p>*Completion metrics account for at-risk populations</p>		<p>Metrics:</p> <ul style="list-style-type: none"> - Number of degrees (baccalaureate and graduate) awarded to residents - Number of degrees (baccalaureate and graduate) awarded to underrepresented minority and rural residents 	
<p>Pennsylvania</p> <ul style="list-style-type: none"> - System-level policy - Pennsylvania State System - subset of 4-year institutions 	<ul style="list-style-type: none"> - 2.4% of total operating budget - Percentage used to be based on appropriation and was changed to percent of total operating budget due to fluctuating appropriations level. 	P	P	P	P

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
	<p>The funding was at 8% of state appropriation before the revised model, which was first used for funding in 2012.</p>	<p>Mandatory Metrics:</p> <ul style="list-style-type: none"> - Closing access gaps for Pell recipients - Closing access gaps for underrepresented minorities <p>Optional Metrics:</p> <ul style="list-style-type: none"> - Student diversity <p>*Completion metrics account for at-risk populations</p>	<p>Optional Metrics: Administrative expenditures as percentage of the cost of education</p>	<p>Mandatory Metrics:</p> <ul style="list-style-type: none"> - Degrees conferred (associate, baccalaureate, graduate) - Baccalaureate degrees per undergraduate FTE - Closing achievement gaps for Pell recipients - Closing achievement gaps for underrepresented minorities <p>Optional Metrics:</p> <ul style="list-style-type: none"> - Third- and fourth-year student persistence - STEM-H degree recipients 	<p>Mandatory Metrics:</p> <ul style="list-style-type: none"> - Percent full-time tenure/tenure track faculty who are non-majority - Percent full-time tenure/tenure track faculty who are women - Private philanthropic support <p>Optional Metrics:</p> <ul style="list-style-type: none"> - Faculty career advancement - Staff diversity - Student experience with diversity and inclusion (as reflected in the average for the combined scores on applicable NSSE items) - Facilities investment (as measured by the annual Sightlines Return on Physical Assets study) - FTE student/FTE employee (faculty and staff) productivity - Educational value added (as reflected in senior CLA, CAAP or ETS® Proficiency Profile Scores) - Credit hour productivity (as measured by student credit hours as a ratio of the total FTE faculty)

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
<p>South Dakota</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - \$6 million - FY 2014 and FY 2015 - Metrics will be developed further for FY 2016 outside of the legislature 			<p>Pilot Metrics:</p> <ul style="list-style-type: none"> - Degree production data - Production of graduates in STEM or high-priority fields 	<p>Pilot Metrics:</p> <ul style="list-style-type: none"> - Growth in research expenditures
<p>Tennessee</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - 100% 	<p>*Completion metrics account for at-risk populations</p>		<p>4-Year Metrics:</p> <ul style="list-style-type: none"> - Student progression at 24, 48 and 72 credits - Transfers out with 12 credits or more - Degrees and certificates per 100 FTE - Degrees granted (associate, bachelor's, master's/ education specialist, doctoral and professional) - Six-year graduation rate <p>2-Year Metrics:</p> <ul style="list-style-type: none"> - Student progression at 12, 24 and 36 credits - Transfers out with 12 credits or more - Degrees and certificates per 100 FTE - Dual credit enrollments - Degrees (associate and certificates) 	<ul style="list-style-type: none"> - Job placements

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Remedial/developmental education success-completion of college-level course - Workforce training-contact hours 	
<p>Texas</p> <ul style="list-style-type: none"> - In law - 2-year (community and junior colleges) and - System-level - 2-year (technical colleges) 	<ul style="list-style-type: none"> - 10% of appropriations for FY 2014 and FY 2015 allocated through outcomes-based formula funding for public community and junior colleges - In 2015, the separate Texas State Technical College System will begin to use outcomes-metrics for 100% of funding 			<p>Metrics:</p> <ul style="list-style-type: none"> - Completion of developmental education in mathematics, reading or writing - Completion of first college-level mathematics, reading-intensive or writing-intensive course with grade of C or better - Completion of 15 or 30 semester credit hours at institution - Transfer to general academic institution after completing at least 15 semester credit hours at institution - Completion of non-STEM-H associate, bachelor's or certificate at institution - Completion of STEM-H associate, bachelor's or certificate at institution. 	
<p>Utah</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	<ul style="list-style-type: none"> - \$1 million FY 2013-14 			<p>Metrics:</p> <ul style="list-style-type: none"> - First to second year retention - Completion including transfer 	<p>Metrics:</p> <ul style="list-style-type: none"> - Increase in graduate education (applicable by institutional mission)

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Reduction in remedial math courses - Completion of math courses following remediation - Acceleration in fulfilling general education math courses 	
<p>Virginia</p> <ul style="list-style-type: none"> - In law - 2- and 4-year 	- Not funded	<p>Metrics:</p> <ul style="list-style-type: none"> - Enrollment increases 		<p>Metrics:</p> <ul style="list-style-type: none"> - Completion of state residents - Completion of residents with partial credit for degree - Completion in timely or expedited manner - Retention rates - Graduation rates - Degree production in STEM-H - Community college transfer 	<p>Metrics:</p> <ul style="list-style-type: none"> - Research levels including public/private collaboration - Year-round use of campus facilities and efficiency reforms - Technology-enhanced instruction and resource sharing
<p>Washington</p> <ul style="list-style-type: none"> - System-level policy - 2-year 	- 2013-15 \$10 million	*Completion metrics account for at-risk populations		<p>Metrics:</p> <ul style="list-style-type: none"> - Basic-a certificate requiring at least one year of college work, a degree or an apprenticeship - Multiple points awarded incrementally for each level completed in English and math 	<p>Metrics:</p> <ul style="list-style-type: none"> - Increase in basic skills: adult literacy/English language proficiency test score gains

State 'Shared Responsibility' Policies for Improved Outcomes: Lessons Learned

State, Status, Sectors	% of Budget and Stake	Access	Cost	Completion	Other
				<ul style="list-style-type: none"> - Single count for each achievement point reached: 1st 15 College Credits, 1st 30 College Credits and quantitative/college math - Progression/retention points - Weights provided for students designated as basic skills upon entering institution 	
<p>Overview:</p> <ul style="list-style-type: none"> - 31 states with metrics on record for performance-based funding - 7 states' performance-based funding systems are not called for or codified in state law - 26 states have metrics for 4-year - 25 states have metrics for 2-year 	<ul style="list-style-type: none"> - 12 states where 5% of appropriations funding or more will be at stake in FY 2014 - 3 additional states have plans to commit 5% of appropriations funding for FY 2015 - States were included regardless of whether the money was "new" over the previous year - PA bases the percentage on total operating budget, not appropriations, and therefore is counted - ND was included because general fund appropriations are based on credits completed for the 2013-15 biennium 	<ul style="list-style-type: none"> - 8 states include access or enrollment metric as part of the outcomes-based formula - 16 states have formulas that weight at-risk populations in completion metrics 	<ul style="list-style-type: none"> - 7 states include a measure for cost 	<ul style="list-style-type: none"> - 31 states include completion or progression measures 	<ul style="list-style-type: none"> - No states use student debt or loan repayment status in performance funding metrics

Research Methodology

To conduct a thorough scan of performance funding metrics, two recent state policy scans were utilized to determine states with policies, percentage of performance funding, sectors affected and metrics used (Jones, 2013; Friedel, Thornton, D'Amico, & Katsinas, 2013). When discrepancies between research from Jones (2013) and Friedel, et al. (2013) were found regarding metrics or funding levels, Jones (2013) data were used. This approach was taken because NCHEMS, the organization that Jones oversees, provided technical assistance on performance funding policies to the states included in Jones (2013). Original sources were crosschecked when additional information was needed, or when professional knowledge led to further research or information needed. Funding for 2015 was not considered, as these numbers will not be finalized in all state budgets prior to the publishing date.

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