

Outcomes-Based Funding: Driving Outcomes for Students Through Aligned Funding Models

Mission

Most state postsecondary education finance policies are not well aligned with states' pressing need to increase student access, success, attainment and equity — with shortcomings reflected in real costs to students, taxpayers and the economy. That reality, combined with a challenging fiscal climate, has fueled a resurgence of interest in and state action regarding funding policies, which tie a portion of state appropriations to metrics that gauge institutional performance on various indicators. Building on the lessons of early performance funding efforts over the past 35 years, more than two-thirds of states are currently developing or implementing outcomes-based funding (OBF) policies — but they vary widely in quality, scale, maturity and sustainability. HCM Strategists is advancing the development, implementation and analysis of sound OBF policies that better align state funding with state student success goals and prioritize completion and equity.¹

Action

A thought leader with deep experience in tracking, analyzing and working with states to improve state postsecondary policy, HCM has developed an unparalleled understanding of the state postsecondary policy and funding landscape. With the leadership and support of Lumina Foundation's Strategy Labs, HCM has assisted a growing number of states in assessing their existing postsecondary funding (and other) policies and incorporating best-practice OBF policies that reflect their unique challenges and goals. When it became clear that both policymakers and researchers needed more guidance on how to distinguish the elements of state policy most likely to yield an effective OBF system, HCM produced a first-of-its-kind OBF typology and set of design and implementation principles with support from the Bill & Melinda Gates Foundation. HCM continues to develop and refine this state policy classification system and related reports and microsite as a go-to resource for the field.

Impact

Informed by HCM's classification system and work with diverse stakeholders, there is growing recognition among state and institutional leaders and researchers that OBF policies are not one-size-fits-all — thoughtful design and implementation matter. Covered by trade publications, referenced in state policy debates and tapped by researchers, the classification system is informing important policy and research development across the country. HCM continues to directly assist states in designing and implementing robust OBF policies and identifying the fundamental shifts in resources and mindset to do so. HCM is also engaging with states and key research and policy partners to ensure that states' postsecondary funding policies — including OBF — drive toward closing attainment gaps among student groups, thereby helping to fuel a critical national dialogue around boosting equity and results in postsecondary education.

¹ HCM acknowledges this case study has been informed by the work of state, system and institutional leaders across the country, colleagues at Research for Action, the National Center for Higher Education Management Systems, the Education Trust, the Center for Law and Social Policy, the Bipartisan Policy Center, Education Insights Center at Sacramento State University and the investments of Lumina Foundation, Ford Foundation and the Bill & Melinda Gates Foundation.