PERFORMANCE-BASED FUNDING IN HIGHER EDUCATION: METRICS REVIEW

An integral part of a performance-based funding (PBF) formula are the metrics measuring the institution's success within the model. Most metrics are measured on a three-year rolling basis or if there is a net increase. There are six things to keep in mind when developing metrics.

1. **Stable Funding**. It is imperative to keep the funding for the formula consistent, even in economic down turns. States with the most success continue to put funds through the formula, no matter the economic climate or if there is new funding[1]. The funding also needs to be substantial enough to warrant institutional buy-in. Even if the operational costs are funded, the incentive funds should be large enough for the institution to want to meet the goals.

2. **Simple Metrics**. The metrics need to be simple, focused and concise. Too many metrics can make the PBF cumbersome because the institution is working toward too many goals. A limited concise number of metrics is better than attempting to incentivize everything. A good metric relates to data that is easily obtainable for measurement, and that cannot be gammed by an institution. Metrics that use numbers over rates are easy to measure and cannot be modified[2]. A notable exception to the numbers over a percentage is if the measure is for efficiency. Another protection is using recent year or three-year averages to measure increases.

3. **Stake in Progression**. Metrics need to measure both progress and completion. Having only metrics that reward only degree completion would be difficult to increase year after year. So, including metrics that provide incentives for student progression through a program, as well as a completion metric, allows an institution the opportunity for funding by increasing enrollment in programs.

4. **State Goals and Expectations**. Another aspect to consider are state goals. As seen below, the type of measurement indicates, in a way, what the state expects of its higher education institutions. So, if Oklahoma only places an emphasis on completion, then institutions may only try to achieve higher graduation numbers, over ensuring that Oklahoma's workforce needs are met through its graduates.

5. **School Type**. Another key aspect to a quality PBF formula is to have different metrics for the different types of institutions—a set for two-year institutions and a set for four-year institutions. Some states break down the metrics even more by research institutions, technical colleges, four-year institutions, and two-year institutions. This will ensure the institutions are able to meet the desired outcomes with meaningful effects. Dividing the metrics by school type is logical since the different institution types have different measures of success. For example, a two-year community college is not concerned with the number of bachelor's degrees awarded, but a four-year institution should be.

6. **Support for Underrepresented Students**. To ensure underrepresented student populations are not over-looked by institutions for students who may be an easier outcome success, metrics should either be specially about the success of an underrepresented student or have their success weigh more. For example, one of Oklahoma's current metrics is "increases in retention from freshman to sophomore year of first-time full-time students receiving Pell Grants." But Oklahoma could also give more weight to an underrepresented student by saying that student's degree completion is worth 1.5 of the average student's degree completion. Underrepresented students have been defined as the following groups: underrepresented minority students, low-income students, academically underprepared students, adult students, veterans, first-generation, disabled, justice involved or dislocated workers[3]. Highlighting and encouraging institutions to foster success amongst underrepresented student populations safe guards the institutions from ignoring these students and provides equity in the PBF.

[1] National Center for Higher Education Management Systems, Outcomes-Based Funding: The Wave of Implementation, 2013.
[2] *Id*.
[3] HCM Strategies, Driving Better Outcomes: Fiscal Year 2020 State Status Typology Update, 2020.

Examples of metrics in other states

The following chart is a summary of states' metrics into different types of categories. The type of measure could also be labeled state goal, as it answers the question: what is the state placing an importance on? Oklahoma's current metrics that fit within one of the examples is highlighted.

Type of Measure	Examples	
Course Competition	• Earned Student Credit Hours	• Dual Enrollment Completers
Progression	• Student Reaching • Earned Credit Hour Benchmarks	• Retained Students • Gateway Course Completeness • Developmental Education Success
Completion	• Certificate Completers	• Degree Completers
Transfers	• Transfer Out of Students	• Success of Students Transferring into Institution
Efficiency	• Rate-Based Metrics • Graduation/Completion Rates • Retention Rates	• Degrees and Certificates Per Full Time Enrollment • Time to Degree • Credits at Completion
Workforce	• Non-Credit Workforce Training • Job Placement • Continuing Education • Wages of Graduates	• Licensures/Certificates • Apprenticeships
Research/Public Service	• Research Expenditures	• Public Service Expenditures
Cost/Adorability	• Core Expense Ratio • Faculty to Administrator Salary Ratio • Average Cost to Students	• Debt After Graduation • Tuition and Fees as a Percent of Statewide Median Family Income
Priority Fields	• STEM+H Degrees or Certifications	• High Demand Fields
Priority Populations	• Traditionally Underserved Minority Students • Low-Income Students • Adult Students	• Academically Underprepared Students • First Generation Students • Veterans
Other	• Closing Access Gap • Faculty Diversity • General Education Assessment • Student and Employer Satisfaction Surveys	• Program Accreditation • Precent of Online Courses Offered • Other

Table Source: HCM Strategies, Driving Better Outcomes: Fiscal Year 2020 State Status Typology Update, emphasis added.

Tennessee has two sets of metrics: one for community colleges, and one for universities. Low-income students and adult learners are weighted within each metric; and for community colleges only academically underprepared students (based on ACT scores) are weighted.

Indiana takes a slightly different approach by grouping the metrics by type or desired outcome. Indiana measures: overall degree completion, at-risk degree completion, STEM degree completion, student persistence, and on-time graduation rate. Within each type of metric are different levels each with different dollar amounts associated with them. For example, within the at-risk degree completion metric, there is a level for 18 to 29 credit certificates, one year certificate, associate degree, and bachelor's degree; this category is also worth more than overall-degree completion since it is Indiana's way of valuing underrepresented student populations differently[4].

Tennessee's Outcome-Based Funding Metrics	
Community Colleges	**University**
• Students Accumulating 12hrs • Students Accumulating 24hr • Students Accumulating 36hrs • Dual Enrollment • Associates Degrees • Certificates 1-2 Years • Certificates Less Than 1 Year • Job Placement • Student Transfers • Workforce Training • Awards Per 100 Full Time Equivalent Students	• Students Accumulating 30hrs • Student Accumulating 60hrs • Students Accumulating 90hrs • Bachelor's and Associates Degrees • Masters/Ed Specialist Degree • Doctoral/Law Degrees • Research and Service • Degrees Per 100 Full Time Equivalent Students • Six-Year Graduation Rate

Ohio, like Tennessee, has two sets of metrics one for community colleges and one for universities.[5] Both types of institutions must meet course completions, student progressions, but at different amounts of funding. Universities also measure degree completion, while community colleges must also measure completion milestones (which is includes degrees, certificates and transfers).

Florida's Board of Governors for the State System developed guiding principles for the PBF model. Those principles are: 1) use metrics that align with strategic plan goals, 2) reward excellence or improvement, 3) have a few clear, simple metrics and 4) acknowledge the unique mission of different institutions.[6] Then the Board of Governors evaluated 40 different metrics before choosing 10 metrics that are, for the most part, applied to all 12 institutions, no matter the type.

Florida's Performance Based Funding Metrics

1. Precent of Bachelor's Graduates Employee (Earning $25,000+) or Continuing Education
2. Bachelor's Degrees Awards in Areas of Strategic Emphasis
3. Median Wages of Bachelor's Graduates Employed Full-Time
4. University Access Rate (Percent of Students with Pell Grant)
5. Average Cost to The Student (Net Tuition Per 120 Credit Hours)
6. Academic Progress Rate (2nd Year Retention with GPA Above 2.0)
7. Four Year Graduation Rate, Full Time or Full Time Equivalent
8. a. Graduate Degrees Awarded in Areas of Strategic Emphasis
   b. Freshman in Top 10% of Graduating High School Class

[4]Indiana Performance Funding Per-Unit Payments.
[5]Ohio Department of Higher Education, State Share of Instruction Information.
[6]Board of Governors for the State University System of Florida, Performance-Based Funding Overview Document, March 2021.

9. a. Two-Year Graduation Rate for Transfers
   b. Six-Year Graduation Rate for Student Who Are Awarded a Pell Rant in First Year

10. Institution Choice

An Emerging Metric: Wages

Most students seeking a higher education degree are doing so to increase their earnings outcome. To quantify this goal, Texas State Technical Colleges (TSTC) implements a "Returned Value Formula" model that measures the value added in the Texas workforce and multiplies it to the number of students in the cohort to fund TSTC as its only metric for a performance-based funding.[7] Cohorts are students who attended a TSTC institution 8 years prior to the allocation. Since implementation in 2015, there has been a 35% increase in TSTC's economic return into the workforce. However, since this type of earnings-based formula is only used at TSTC, it is unclear whether the successful results would translate to other institutions.

But several states have included a wage-based metric to measure success in their performance-based funding models. Kansas and Florida have a wages-based metric. As seen above, Florida has 2 wage centric metrics. One Measures the median wages of graduates, while the other measures first year graduates with a $25,000 or more job placement.[8] Kansas also implements a wage-based metric for it's technical colleges by measuring the wages of graduates hired.[9]

Proponents of utilizing some form of wages metrics notes that this approach "recognizes and rewards those schools who find innovative ways to help their students achieve lasting success."[10] This type of metric also contributes to the increase in qualified workforce. Moreover, a wages-based metric reflects one of purposes of higher education—a well-paying career.

Conclusion

Ideally, in a PBF model, what goes into it will come out. The metrics of what goes into the formula are of utmost importance. They signify, not only what the institution needs to accomplish but also what the sate values in its higher education output. When developing these metrics, Oklahoma needs to bear that in mind.

Other States PBF Models	
Arkansas	Productivity Funding
Colorado	Department of Higher Education: Performance Contracts
Illinois	Performance Funding Overview
Kentucky	Kentucky Council on Postsecondary Education: Performance Based Funding
Michigan	Appropriations Report, see PDF page 10
Mississippi	Mississippi Public Universities: Performance Allocation Model Summary
Missouri	2018 Performance Funding for Higher Educations
Montana	Montana University System, Performance Funding
New Mexico	Funding Formula Technical Guide or the FY 2022 Budget Cycle
South Carolina	Commission on Higher Education: Performance Funding
Utah	Higher Ed Appropriations approves performance funding model

[7]Cicero News, The Returned Value Formula: Earnings-Weighted Funding at Texas State Technical College, 2020
[8]Board of Governors of the State University System of Florida, 2020 Performance-Based Funding: Metric Scores and Allocations
[9]The Kansas Board of Regents, Performance Agreements: Funding Guidelines, last updated 2021
[10]Cicero Institute, Earnings-Weighted Funding: Higher Education Funding for Lasing Student Success, 2020