
DRIVING BETTER *Outcomes:*

Fiscal Year 2018 State Status
& Typology Update

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Introduction:

The 2015 report “Driving Better Outcomes: Typology and Principles to Inform Outcomes-Based Funding Models,” released by HCM Strategists, established a comprehensive typology of outcomes-based funding (OBF) models and a state-by-state classification of funding systems according to the typology. The 2016 update of “Driving Better Outcomes” provided an enhanced typology informed by continued engagement with state policymakers and promising practices as well as updated state-by-state data. The FY 2016 report also included a state-by-state assessment of components and funding distributions, as well as a detailed breakdown of overall funding by sector for five states with advanced OBF models in place.

This 2018 update builds upon the previous two reports while taking a more detailed look at sector-level OBF policies. Specifically, whereas the previous reports assigned a formula type for the state as a whole, this report assigns a type for each sector OBF model in the states. Changes in state funding systems are highlighted, including an overview of OBF models being implemented and states where OBF models have been developed or initiatives are underway. This report also includes additional information about formula metrics, including metrics meant to provide incentives for underrepresented students to succeed.

Considerations For OBF Typology

The classification system outlined below is used to assign sectors' FY 2018 OBF models a “type” according to their level of sophistication and adherence to promising practices. The following critical areas have been identified and are included in the typology:

- Established completion or attainment goals are linked to the model;
- Recurring base funding is distributed;
- A significant level of funding is distributed;
- Degree/credential completion is prioritized;
- *Institution mission is reflected through varying weights, scales or metrics;*
- *The funding structure is formula-driven to ensure incentives for continuous improvement;*
- Success of underrepresented students is prioritized; and
- Funding is sustained over consecutive years.

These typology characteristics reflect commonly articulated and research-informed design and implementation principles and together enable a broad analysis of OBF policies (see Appendix A for more information on design and implementation principles that can guide development of robust OBF policies). The italicized portions

represent revised considerations from the previous reports. They reflect the importance of acknowledging the different roles, missions and goals of institutions and also ensuring the formula creates incentives for continuous improvement. The previous report listed “Inclusion of all public institutions in both two-year and four-year sectors” as a consideration. Inclusion of all sectors is a critically important best practice for state-level finance policy; however, it has been eliminated as a result of this report’s focus on sector-specific models.

Typology of State OBF Policies

In the 2015 and 2016 reports, states were assigned a classification based on aggregated sector information. In this updated report, each sector that is implementing an OBF model in a state will be assigned a type. This allows for a more detailed analysis and recognition of model differences within a state. The typology of sector OBF policies outlines the escalating level of significance and sophistication of funding policies, ranging from Type I to Type IV systems.

Type I systems are rudimentary in nature, may be pilot efforts that do not have significant levels of funding, are likely to share features with earlier performance-funding models, do not reflect the need to increase the success of underserved student populations, and minimally link the sector’s finance policy with completion and attainment goals. Type II and III systems represent increasing degrees of development and adherence to promising practices. Type IV systems are the most robust and reflect strong alignment between the state’s completion and attainment agenda and finance policy. Type IV systems include significant and stable funding, reflect institutional missions, prioritize degree/credential completion, include continuous incentives for improvement, and promote the success of underrepresented students.

For FY 2018, 15 states are implementing OBF in the two-year and four-year sectors, three states are implementing OBF in the four-year sector only, and seven states are implementing OBF in the two-year sector only.

TYPICAL CHARACTERISTICS

NOTE: Some states may meet most but not all criteria. States that do not meet all criteria for a particular type are assigned a lower type. *Italicized elements are primary differences from prior level.*

TYPE I

- State may have completion/attainment goals and related priorities
- Model reliant on new funding only
- Low level of state funding (under 5%), based on sector analysis
- Institutional mission not reflected through varied weights, scaling or metrics
- Total, volume-based, degree/credential completion metric not included
- Outcomes for underrepresented students not prioritized
- Target/recapture approach likely
- May not yet have been sustained for two or more consecutive fiscal years

TYPE II

- State may have completion/attainment goals and related priorities
- **Recurring dollars/base funding at least a portion of funding source**
- Low level of state funding (under 5%), based on sector analysis
- Institutional mission not reflected through varied weights, scaling or metrics
- **Total, volume-based, degree/credential completion metric included**
- Outcomes for underrepresented students may be prioritized
- Target/recapture approach likely
- May not yet have been sustained for two or more consecutive fiscal years

TYPE III

- State has completion/attainment goals and related priorities
- Recurring dollars/base funding at least a portion of funding source
- **Moderate level of state funding (5-24.9%), based on sector analysis**
- **Institutional mission reflected through varied weights, scaling or metrics**
- Total, volume-based, degree/credential completion metric included
- **Outcomes for underrepresented students prioritized**
- May not be formula-driven
- Not sustained for two or more consecutive fiscal years

TYPE IV

- State has completion/attainment goals and related priorities
- Recurring dollars/base funding at least a portion of funding source
- **High level of state funding (above 25%), based on sector analysis**
- Institutional mission reflected through varied weights, scaling or metrics
- Total, volume-based, degree/credential completion metric included
- Outcomes for underrepresented students prioritized
- **Formula-driven/provides incentives for continuous improvement**
- **Sustained for two or more consecutive fiscal years**

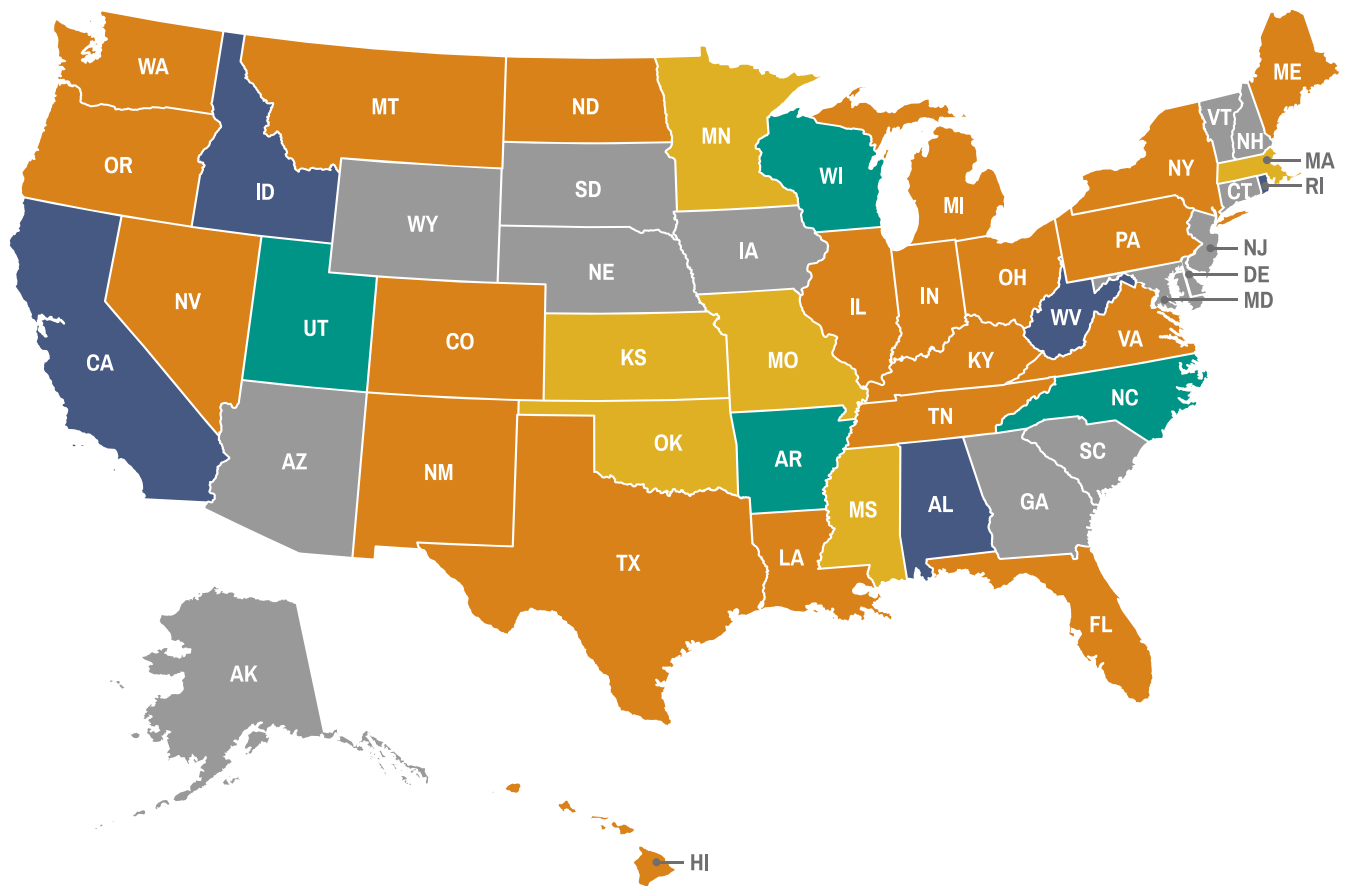
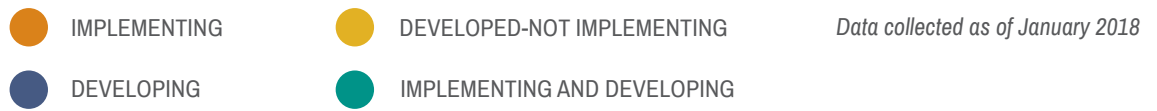
Status of OBF in the States

As of FY 2018, 30 states (60 percent) are implementing (25 states) and/or developing (five states) OBF policies in at least once sector, with great variance in the critical elements included in the typology and reflected in the associated design and implementation principles. Four states are both implementing and developing OBF policies. Additionally, six states have developed OBF policies but are not implementing them in FY 2018.

The maps that follow depict state policies as of January 2018 according to OBF implementation status. Figure 1 shows which states have implemented (i.e., allocated funding to) OBF in at least one sector, which states are developing an outcomes-based funding formula in at least one sector, and which states

have developed OBF policies but are not implementing them in FY 2018. Figure 2 highlights states that are implementing OBF in the two-year sector by type. Figure 3 shows states that are implementing OBF in the four-year sector by type. In the figures, states were classified by type according to what is currently known about their plans; in some instances, a lower type assignment in Table 1 may reflect a lack of information rather than a weak or underdeveloped policy. Some states also plan to start with more limited participation and functionality, with the intent to expand and refine over time.

FIGURE 1. OUTCOMES-BASED FUNDING IN STATES IN FY 2018



AR and UT: Both states will implement a new OBF model for the two-year and four-year sectors in FY 2019.
NC: North Carolina is implementing OBF in the two-year sector and is revising the UNC system funding model.
WI: Wisconsin is implementing OBF for the technical colleges and is developing a model for the UW System

FIGURE 2. STATES IMPLEMENTING OBF IN FY 2018, BY TYPE: TWO-YEAR SECTOR

- TYPE I (RUDIMENTARY)
- TYPE II
- TYPE III
- TYPE IV (ADVANCED)

Data collected as of January 2018

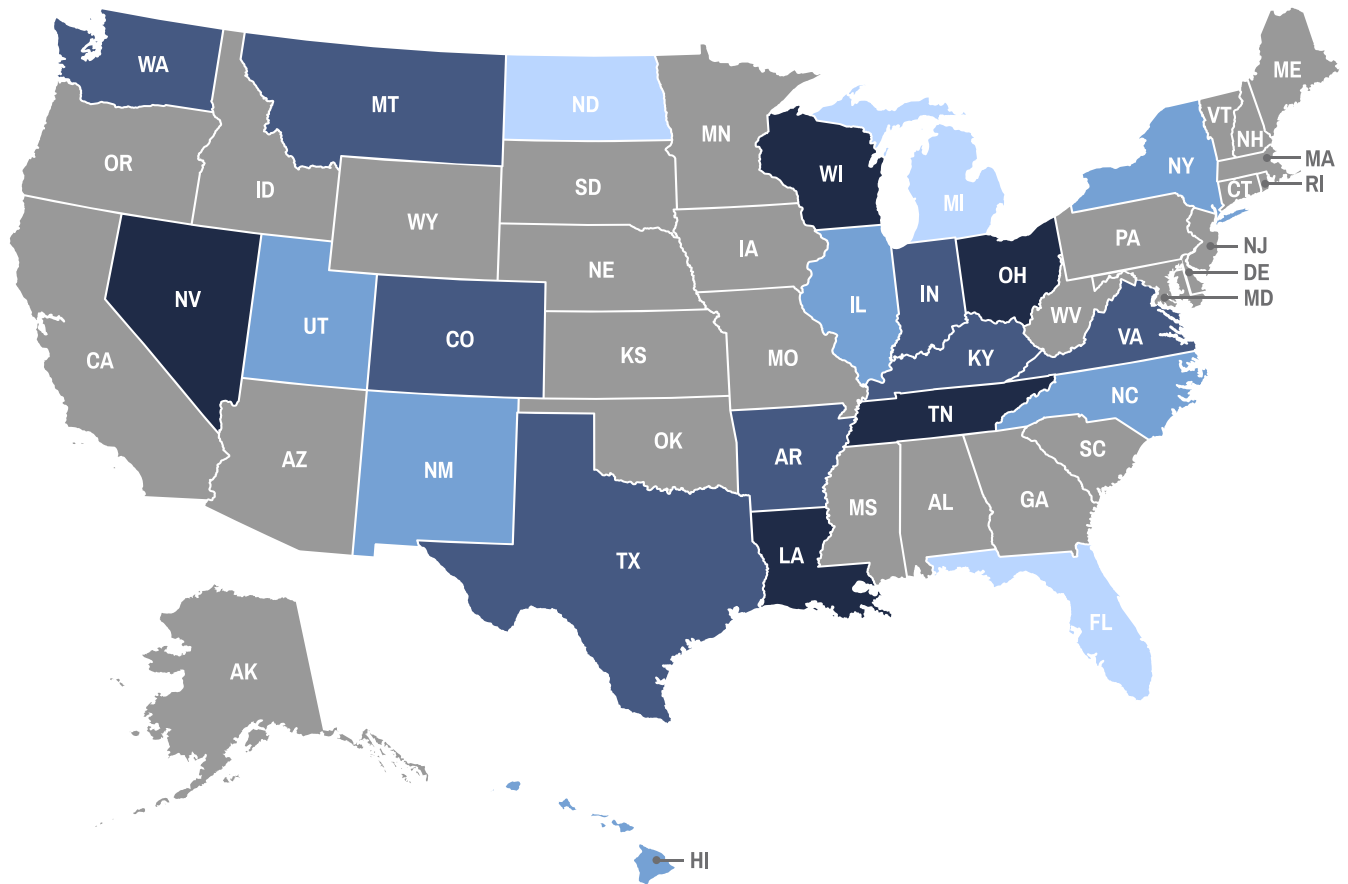
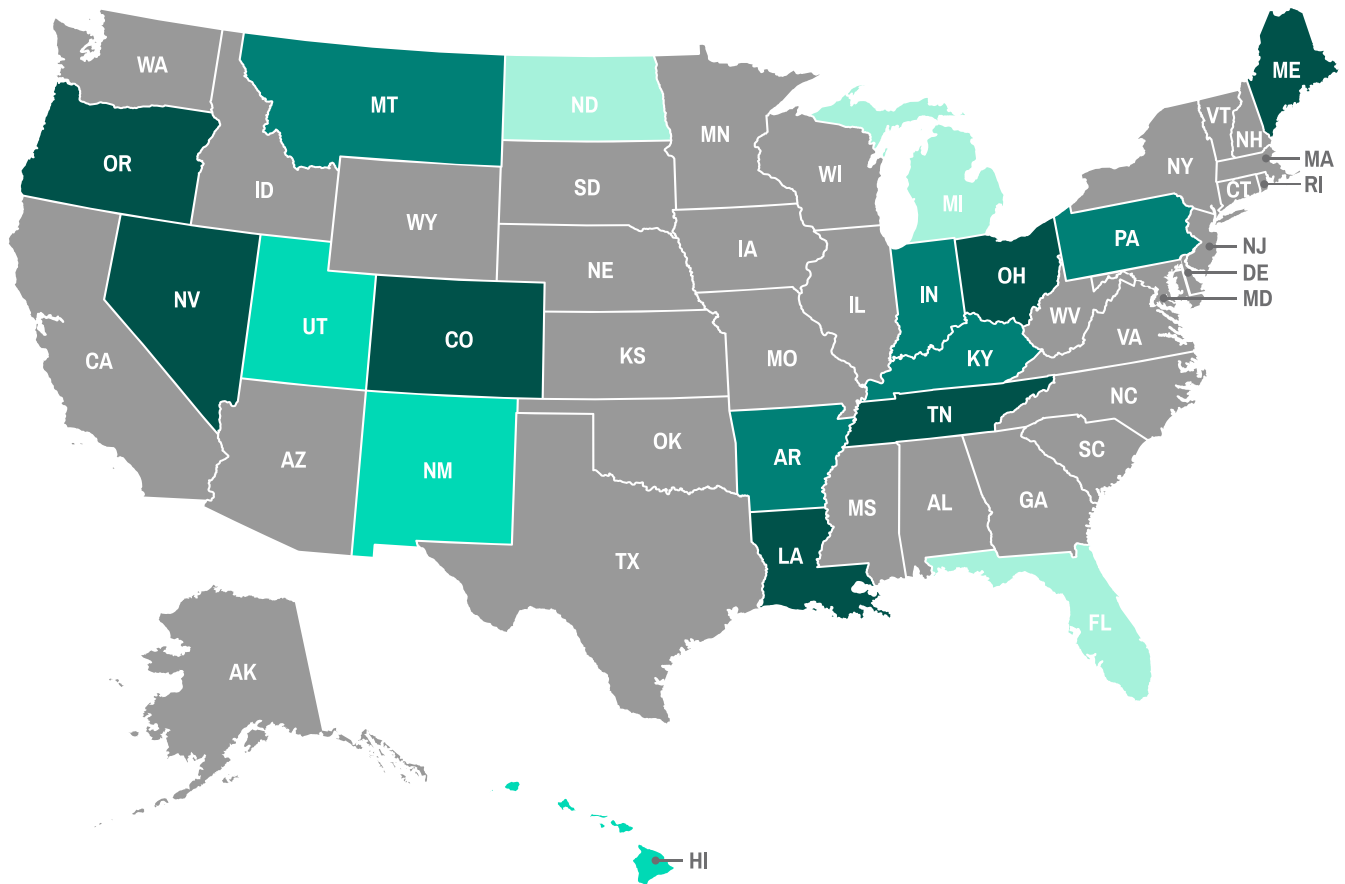


FIGURE 3. STATES IMPLEMENTING OBF IN FY 2018, BY TYPE: FOUR-YEAR SECTOR

- TYPE I (RUDIMENTARY)
 - TYPE II
 - TYPE III
 - TYPE IV (ADVANCED)
- Data collected as of January 2018*



PA: Pennsylvania is implementing OBF for PASSHE universities only

OBF TYPOLOGY BY STATES' SECTORS

The following section provides detailed state OBF typology information on a by-sector basis. Only those sectors in a state currently implementing OBF are included in the matrix. There is great variation in funding model designs between sectors. High-level differences are captured below. The data tables include information on key model characteristics, including funding type and levels, whether the model prioritizes the success of underrepresented students, sustainability of the model, and whether the OBF model is formula-driven or a target/recapture system.

TABLE 1. OBF TYPOLOGY BY STATE: TWO-YEAR SECTORS IMPLEMENTING IN FY 2018

State	FY 2018 Status	FY 2018 Type By Sector	FY 2016 Status	FY 2016 Type By State ¹	Linked to State Completion/Attainment Goals	Recurring (base) or New Dollars	Funding Level ²	Reflects Institutional Mission	Total Degree Completion Includes ³	Underrepresented Student Success Prioritized	Sustainability (Implementing for two or more years)	Formula-Driven or Target/Recapture
AR	Implementing & Developing	III	Implementing & Developing	III	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Target/Recapture
CO	Implementing	III	Implementing & Developing	III	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
FL ⁴	Implementing	I	Implementing	II	No	Base/Recurring	Moderate	No	No	Yes	Yes	Target/Recapture
HI	Implementing	II	Implementing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Target/Recapture
IL ⁵	Implementing	II	Implementing	I	Yes	Base/Recurring	Low	No	Yes	Yes	No	Formula
IN	Implementing	III	Implementing	II	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
KY	Implementing	III	N/A	N/A	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	No	Formula
LA	Implementing	IV	N/A	N/A	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
MI	Implementing	I	Implementing	I	Yes	New	Low	Yes	Yes	No	Yes	Formula
MT	Implementing	III	Implementing	III	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula ⁶
NC	Implementing	II	Implementing	I	No	Base/Recurring ⁷	Low	No	Yes	No	Yes	Formula
ND	Implementing	I	Implementing	I	Yes	Base/Recurring	High	No	No	No	Yes	Formula
NM	Implementing	II	Implementing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Formula
NV	Implementing	IV	Implementing	III	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula ⁸
NY ⁹	Implementing	II	N/A	N/A	No	Base/Recurring	Low	No	Yes	Yes	Yes	Formula
OH	Implementing	IV	Implementing	IV	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
TN	Implementing	IV	Implementing	IV	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
TX ¹⁰	Implementing	III	Implementing	II	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
UT	Implementing & Developing	II	Implementing & Developing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Formula
VA	Implementing	III	N/A	N/A	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
WA	Implementing	III	Implementing	I	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
WI-Tech ¹¹	Implementing	IV	Implementing	II	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula

TABLE NOTES:

- 1 The FY 2016 report issued a statewide OBF type. The FY 2018 report gives a sector-specific OBF type.
- 2 Low (0-4.99%); Moderate (5-24.99%); High (25%+).
- 3 Only volume-based degree and credential completion metrics are included. Rate-based metrics are not included.
- 4 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.
- 5 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.
- 6 Reclassified as formula-driven for FY 2018 analysis.
- 7 Was previously listed as new funding in FY 2016. This has been corrected for the FY 2018 report.
- 8 Reclassified as formula-driven for FY 2018 analysis.
- 9 New York's OBF model was omitted from the FY 2016 typology report.
- 10 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.
- 11 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.

TABLE 2. TYPOLOGY BY STATE: FOUR-YEAR SECTORS IMPLEMENTING IN FY 2018

State	FY 2018 Status	FY 2018 Type By Sector	FY 2016 Status	FY 2016 Type By State ¹	Linked to State Completion/Attainment Goals	Recurring (base) or New Dollars	Funding Level ²	Reflects Institutional Mission	Total Degree/Credential Completion Includes	Underrepresented Student Success Prioritized	Sustainability (Implementing for two or more years)	Formula-Driven or Target/Recapture
AR	Implementing & Developing	III	Implementing & Developing	III	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Target/Recapture
CO	Implementing	IV	Implementing & Developing	III	Yes	Base/Recurring	High ⁴	Yes	Yes	Yes	Yes	Formula
FL	Implementing	I	Implementing	II	No	Base/Recurring	Moderate	Yes	No	No	Yes	Target/Recapture
HI	Implementing	II	Implementing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Target/Recapture
IN	Implementing	III	Implementing	II	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula
KY	Implementing	III	N/A	N/A	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	No	Formula
LA	Implementing	IV	N/A	N/A	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
ME ⁵	Implementing	IV	Implementing	II	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes ⁶	Formula
MI	Implementing	I	Implementing	I	Yes	New	Low	Yes	Yes	Yes	Yes	Formula
MT	Implementing	III	Implementing	III	Yes	Base/Recurring	Moderate	Yes	Yes	Yes	Yes	Formula ⁷
ND	Implementing	I	Implementing	I	Yes	Base/Recurring	High	No	No	No	Yes	Formula
NM	Implementing	II	Implementing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Formula
NV	Implementing	IV	Implementing	III	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula ⁸
OH	Implementing	IV	Implementing	IV	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
OR ⁹	Implementing	IV	Implementing	II	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
PA	Implementing	III	Implementing	II	Yes	Base/Recurring	Moderate ¹⁰	Yes	Yes	Yes	Yes	Target/Recapture
TN	Implementing	IV	Implementing	IV	Yes	Base/Recurring	High	Yes	Yes	Yes	Yes	Formula
UT	Implementing & Developing	II	Implementing	II	Yes	Base/Recurring	Low	Yes	Yes	Yes	Yes	Formula

TABLE NOTES:

- 1 The FY 2016 report issued a statewide OBF type. The FY 2018 report gives a sector-specific OBF type.
- 2 Low (0-4.99%); Moderate (5-24.99%); High (25%+).
- 3 Only volume-based degree and credential completion metrics are included. Rate-based metrics are not included.
- 4 Funding level increased from the FY 2016 report due to using the sector-level analysis.
- 5 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.
- 6 Will phase out model by FY 2019.
- 7 Reclassified as formula-driven for FY 2018 analysis.
- 8 Reclassified as formula-driven for FY 2018 analysis.
- 9 Formula type changed from FY 2016 because the FY 2018 report is based on sector-level information.
- 10 Funding level was incorrectly listed as "low" in the FY 2016 report.

METRICS COMMONLY USED IN OBF MODELS

States incorporate a variety of metrics in their OBF systems depending on specific state and sector priorities. In advanced OBF models, these priorities and the aligned funding models are derived from a broader articulated completion and/or attainment goal. These metrics are most often incorporated as either a count or a rate. Examples of common metrics are detailed in the table below. Also included is a classification of common metrics by sector in models implemented in FY 2018.

TABLE 3. COMMON METRICS IN OBF MODELS

TYPE OF MEASURE	EXAMPLES
Course Completion	<ul style="list-style-type: none"> · Earned student credit hours · Dual-enrollment completers
Progression	<ul style="list-style-type: none"> · Students reaching earned credit hour benchmarks · Retained students · Gateway course completers
Completion	<ul style="list-style-type: none"> · Certificate completers · Degree completers · Student transfers
Efficiency	<ul style="list-style-type: none"> · Degrees and certificates per FTE · Graduation/completion rates · Time to degree · Credits at completion
Workforce	<ul style="list-style-type: none"> · Non-credit workforce training · Job placement/continuing education · Wages · Licensures/certifications · Apprenticeships
Research/Public Service	<ul style="list-style-type: none"> · Research expenditures · Public service expenditures
Cost/Affordability	<ul style="list-style-type: none"> · Core expense ratio · Faculty to administrator salary ratio · Average cost to student · Tuition and fees as a percent of statewide median family income
Priority Fields	<ul style="list-style-type: none"> · STEM+H degrees · High-demand fields
Priority Populations	<ul style="list-style-type: none"> · Traditionally underserved minorities · Low-income students · Adult students · Academically underprepared students · First-generation students · Veterans
Other	<ul style="list-style-type: none"> · Faculty diversity · Closing freshman access gaps · General education assessment · Licensure/Certification/Major field assessment · Student/Employer satisfaction surveys · Program accreditation · Other

TABLE 4. OBF METRICS BY STATE: TWO-YEAR SECTOR

States	Course Completion	Progression	Completion	Efficiency	Workforce	Cost / Affordability	Priority Fields	Priority Populations	Other
AR		X	X		X		X	X	
CO	X	X	X	X			X	X	
FL		X		X	X			X	
HI			X	X			X	X	
IL		X	X					X	
IN		X	X	X			X	X	
KY	X	X	X				X	X	
LA	X	X	X	X	X		X	X	X
MI	X		X	X		X	X		X
MT	X	X	X					X	
NV	X	X	X	X			X	X	
NM	X	X	X				X	X	
NY		X	X		X			X	
NC		X	X		X				
ND	X								
OH	X	X	X				X	X	
TN	X	X	X	X	X			X	X
TX		X	X				X	X	
UT			X	X			X	X	
VA		X	X					X	
WA		X	X		X		X	X	
WI-Tech	X	X		X	X		X	X	

TABLE 5. OBF METRICS BY STATE: FOUR-YEAR SECTOR

States	Course Completion	Progression	Completion	Efficiency	Research / Public Service	Workforce	Cost / Affordability	Priority Fields	Priority Populations	Other
AR	X		X		X	X		X	X	
CO		X	X	X				X	X	
FL		X	X	X	X	X	X			X
HI			X	X				X	X	
IN		X	X	X				X	X	
KY	X	X	X	X				X	X	
LA	X	X	X	X	X	X		X	X	
ME		X	X		X		X	X	X	
MI			X	X	X		X	X	X	
MT	X	X	X		X				X	
NV	X	X	X	X	X			X	X	
NM	X	X	X		X			X	X	
ND	X									
OH	X		X		X			X	X	
OR	X		X					X	X	
PA			X	X					X	X
TN		X	X	X	X				X	X
UT			X	X	X			X	X	

TABLE 7. UNDERREPRESENTED POPULATIONS PRIORITIZED IN OBF MODELS:
FOUR-YEAR SECTOR

States	Underrepresented Minority Students	Low-Income Students	Academically Underprepared Students	Adult Students	Veterans	First-Generation	Rural Students	Native Americans	Native Hawaiian Students
AR	X	X	X	X					
CO		X							
FL									
HI		X							X
IN		X							
KY	X	X							
LA		X	X	X					
ME				X					
MI		X							
MT		X		X	X			X	
NV	X	X							
NM		X							
ND									
OH	X	X	X	X		X			
OR	X	X			X		X		
PA	X								
TN		X		X					
UT		X							

STATES INCREASING FOCUS ON OBF POLICIES

Between FY 2016 and FY 2018, several states either implemented new OBF models or increased the sophistication of their existing models. Each state includes varying levels of best practices within its outcomes-based funding model, but each has increased its focus on aligning state funding policy with completion and attainment goals. An overview of each state is provided below.

TWO-YEAR SECTORS ONLY

• Washington: Type I to Type III

- The OBF model for Washington's system of community and technical colleges, the Student Achievement Initiative (SAI), underwent a review in summer 2017. The resulting revisions included additional points for low-income, basic-skills and historically underrepresented students of color at the completion of the

first 15-college-credit milestone and at degree or apprenticeship attainment. Additionally, Washington's funding level was recognized as being "moderate" for FY 2018, whereas it had been "low" in the FY 2016 typology report.

- **Virginia: N/A to Type III**

- The Virginia Community College System developed and implemented an outcomes-based funding model beginning in FY 2017. The model allocated 12 percent of the state general fund in FY 2017, 14 percent in FY 2018, and will be phased in to ultimately allocate 20 percent by FY 2020.

COMBINED TWO- AND FOUR-YEAR SECTOR

- **Kentucky: N/A to Type III**

- A new outcomes-based funding model was developed for Kentucky universities and community colleges, beginning in FY 2018. The enacted 2016-18 Budget of the Commonwealth (HB 303) mandated that \$42.9 million of campus operating budgets (5 percent) was to be allocated to institutions through a newly created funding model. Senate Bill 153 (2017) then directed the creation of university and community college funding models based on student success, course completion and other components, beginning in FY 2019. The Council on Postsecondary Education (CPE) will implement the new models, which are to include stop-loss and hold-harmless provisions through 2021.

- **Louisiana: N/A to Type IV**

- A new outcomes-based funding model was implemented for Louisiana universities and community colleges, beginning in FY 2017. Act 462 (2014) directed development of the model, which consists of three components: base funding, cost (weighted student credit hours) and outcomes. Outcome metric categories include student success, articulation and transfer, workforce and economic development, and efficiency and accountability.

- **Indiana: Type II to Type III**

- The share of operating funds distributed through Indiana's outcomes-based funding model was below 5 percent in FY 2016 but increased to 5.2 percent in FY 2018.

STATES WITH OBF POLICIES IN DEVELOPMENT

Several states are in the process of developing OBF models. Efforts vary in form and scope, from those originating with state legislatures and efforts at comprehensive funding model redesigns to those undertaken by coordinating councils or sector-level models. These efforts continue the trend of using OBF models to more closely align state funding systems with the state's completion and attainment goals.

- **Alabama**

- In spring 2017, Senate Resolution 85 created the Alabama Community College Advisory Council on Outcome-based Funding. The Advisory Council was tasked with developing a report detailing recommendations for an OBF model for the community college system by January 1, 2018.

The Advisory Council's report was approved on December 29, 2017, and sent to the governor, the chairman of the House Ways and Means Education Committee, and the chairman of the Senate Finance and Taxation Education Committee for further review and action.

- **Arkansas**

- The Arkansas Department of Education recently completed an effort to replace its current OBF model with a new productivity funding formula, beginning in FY 2019. The new funding model will be based 80 percent on effectiveness measures such as progression, credential production and transfer success, and 20 percent on affordability measures such as time-to-degree and credits at completion.

- **California**

- Governor Brown included a proposal in his recommended FY 2019 budget for a new community college funding allocation formula. Under the proposed new formula, one half of community college apportionment funding would be allocated based on enrollment, one quarter based on the number of low income students served, and one quarter based on performance measures. By comparison, apportionment funding currently is allocated primarily on enrollment.

- **Idaho**

- In February 2017, the governor convened the Idaho Higher Education Task Force to study and recommend how best to address Idaho's "K-through-Career" education and job training needs beyond high school. One of the final recommendations was related to a revised funding formula. The task force recommended that a technical committee and outside experts work to fully vet and pressure-test any potential funding formula model that may be recommended later. Recommended metrics for a potential model included verifiable job outs, 18- to 29-credit undergraduate certificates, one-year certificates, associate degrees, bachelor degrees, high-impact completion bonus, at-risk completion bonus, progression per student credit hour milestone, transfers and on-time completion bonus.

- **Missouri**

- See "States Previously Represented in Typology" section.

- **North Carolina**

- The University of North Carolina system convened a Funding Model Task Force in 2017 to examine potential changes to the system's primarily enrollment-based funding model. The task force has considered revisions that would incorporate outcome metrics and link the funding model to the system's strategic plan. The task force is to complete its recommendation by May 2018.

- **Rhode Island**

- The Performance Fund Incentive Act of 2016 required the Community College of Rhode Island, Rhode Island College and the University of Rhode Island to reach college-specific performance targets to qualify for additional state money beyond a base amount that the schools received in Fiscal Year 2016. FY 2018 was established as the baseline. Institutions will be held accountable for demonstrating progress above the baseline, beginning in FY 2019. The legislation requires the

inclusion of several measures for the different sectors and establishes a target-based distribution approach. If institutions do not meet the targets, the funds associated with each unachieved metric shall be distributed to the same institution for corrective action, with oversight by the Office of the Postsecondary Commissioner.

- **Utah**

- In November 2017, the Utah State Board of Regents approved a new funding model that will go into effect in FY 2019. The revised outcomes-focused model is based on legislation passed in the 2017 legislative session. S.B. 117 established the Performance Funding Restricted Account. The account is funded from 14 percent of the estimated revenue growth from targeted jobs in FY 2019, and 20 percent in FY 2020 and thereafter. Performance metrics to be used in the new model include degrees and certificates awarded, degrees and certificates awarded to underserved students, degrees and certificates awarded in high-market-demand fields, degrees and certificates awarded per full-time student, and total research expenditures.

- **West Virginia**

- In spring 2017, HB 2815 directed the West Virginia Higher Education Policy Commission (HEPC) to produce, by January 1, 2018, a report recommending revisions to the current enrollment-based general revenue appropriation formula for the state's universities and community and technical colleges. The final initial report proposed the development of a model that would allocate 70 percent of general revenue funding based on credit hours taken, weighted by course type and level; 25 percent based on degrees awarded; and 5 percent based on student success metrics such as progression benchmarks. The proposal has been reviewed by both the House and Senate Finance Committees and will be taken to the HEPC board in March. Assuming the board approves at the March meeting, HEPC staff will continue development of the model throughout 2018.

- **Wisconsin**

- Wisconsin Act 59 of 2017 required the Board of Regents of the University of Wisconsin System to develop an OBF model that centered on access, success, workforce, and efficiency metrics. The Board of Regents approved a proposed OBF model on December 7th, 2017 and submitted the plan to the legislature's Joint Finance Committee for approval on February 15, 2018. At the time of this report's publication, the Joint Finance Committee had not held a hearing on the proposed model.

STATES PREVIOUSLY REPRESENTED IN TYPOLOGY

Five states reflected in the Fiscal Year 2016 typology (IL, MA, MN, MO, WY) are not included in the Fiscal Year 2018 review. These states may still have a funding model in place but did not use it to allocate dollars to institutions in Fiscal Year 2018. Additionally, three states (KS, MS, OK) have previously developed outcomes-based funding policies but did not implement their models in either FY 2016 or 2018.

NEW FUNDING ONLY: Missouri, Kansas and Oklahoma have models reliant on new funding being allocated. There is no publicly available evidence that funds have been appropriated for the formula or that the formula was used in Fiscal Year 2018 allocations.

- **Missouri**

- No funding was allocated for the Missouri performance model in FY 2018. Throughout summer and fall 2017, the Missouri Coordinating Board for Higher Education (CBHE) convened a Performance Funding Task Force to consider changes to the current performance funding model. The task force's recommendations included weighting underserved populations, standardizing metrics, revising metrics to include part-time students, adding affordability metrics, revising the benchmarking process and implementing a data verification protocol. The CBHE voted to approve the recommended revisions on December 14, 2017. On January 2, 2018, the CBHE voted to use the revised model to allocate 10 percent of state funding in FY 2019. Additionally, the CBHE voted to direct the department to begin the process of reevaluating the current higher education funding approach with the intent of (1) establishing guidelines for institutions' appropriation requests and (2) developing a new model for core appropriations by the September 2018 CBHE meeting.

- **Kansas**

- The Kansas Board of Regents established performance agreements with the state universities and community and technical colleges. Institutions are able to earn new funding based on their success in meeting the performance agreement objectives. However, the performance agreements have not allocated funding since FY 2013.

- **Oklahoma**

- The Oklahoma State Regents for Higher Education approved and adopted a performance funding model in 2012 for use in the allocation of any new state appropriations. However, the model has not been utilized since FY 2014.

NOT IMPLEMENTED: Mississippi, Massachusetts, Wyoming, Minnesota and Illinois have models developed, but they were not implemented in Fiscal Year 2018.

- **Mississippi: Four-Year**

- The Mississippi Institutions of Higher Learning (IHL) developed an outcomes-based funding formula for the state universities in 2013 but has not implemented the model since FY 2015. Instead, IHL has recommended pro-rata changes during budget reductions.

- **Massachusetts: Four-Year and Two-Year**

- The FY 2018 state budget did not include funding for the previously developed university and community college performance funding models.

- **Wyoming: Two-Year**

- The FY 2017-2018 biennial budget did not include the course completion performance distribution component for community colleges.

- **Minnesota: Four-Year and Two-Year**

- The FY 2018-2019 biennial budget did not include funding for either the University of Minnesota or Minnesota State performance fund programs.

• Illinois: Four-Year

- The FY 2018 state budget did not include funds for the university performance funding model.

LEVELS FOR OUTCOMES-BASED FUNDING

There is noteworthy variance among state and sector outcomes-based funding policies. The following analysis examines the amount of state institutional support allocated through broad categories of funding. These categories include course completion, progression and degree completion, and mission-focused components. This is done for all sectors of education in states with outcomes-based funding models in place in both two-year and four-year sectors, as well as separately for two-year and four-year sectors. States are organized in descending order according to the percentage of appropriations allocated using an outcomes-based funding model. The typology designation of the OBF models, as outlined in Table 1 and Table 2, appears in parentheses.

CHART 1. OBF AS A PERCENTAGE OF OVERALL STATE INSTITUTIONAL SUPPORT

Outcomes-Based Funding in Two and Four-Year Sectors Combined as Percentage of FY 2018 State Institutional Support
Broken out by course completion, progression/degree completion and mission components

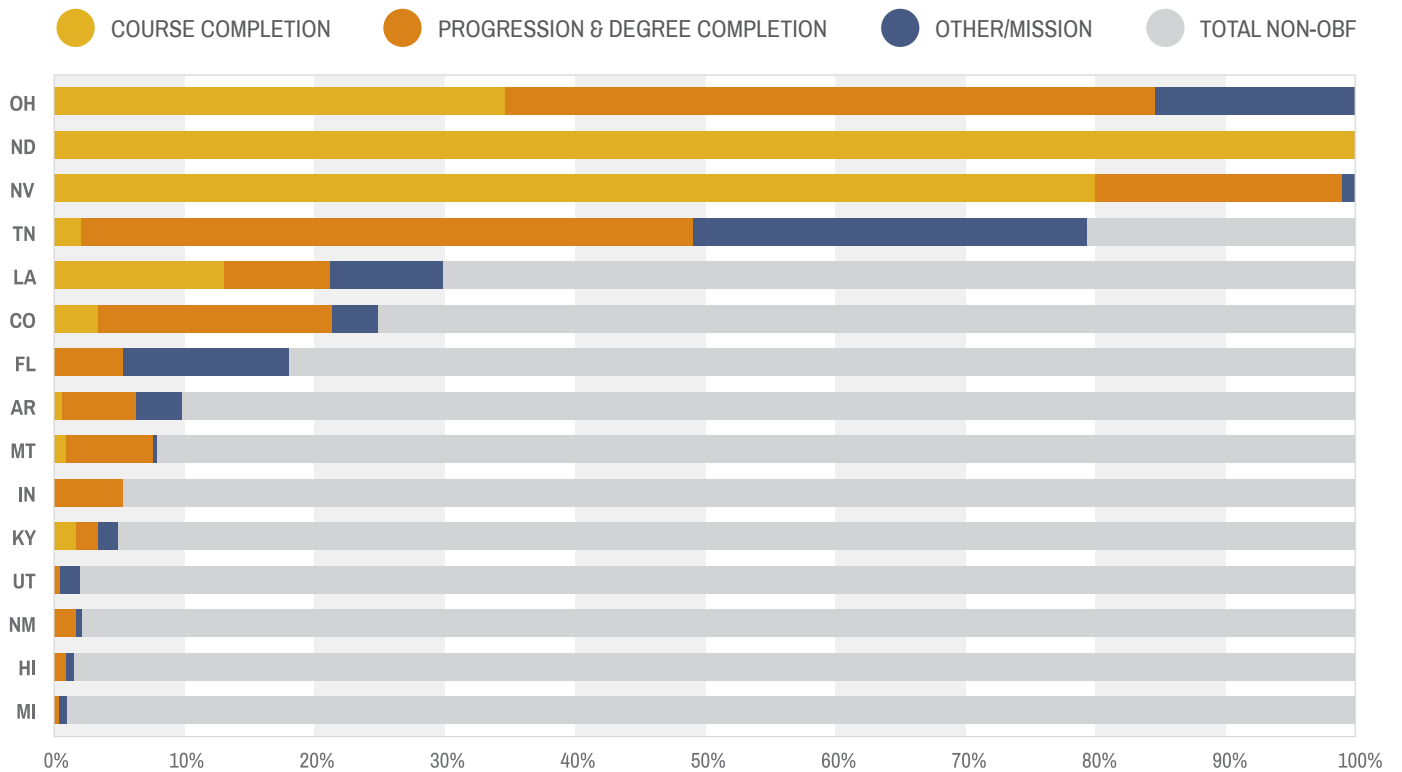


CHART NOTES:

Course completion includes completed credit hours and dual credit completion metrics.
 Progression & Degree Completion includes progression, completion, and transfer metrics.
 Other/Mission includes research, workforce, efficiency, affordability, quality, and other metrics.

CHART 2. OBF IN TWO-YEAR SECTORS AS A PERCENTAGE OF OVERALL SECTOR INSTITUTIONAL SUPPORT

Outcomes-Based Funding in Two-Year Sectors as a Percentage of FY 2018 State Institutional Support
 Broken out by course completion, progression/degree completion and mission components

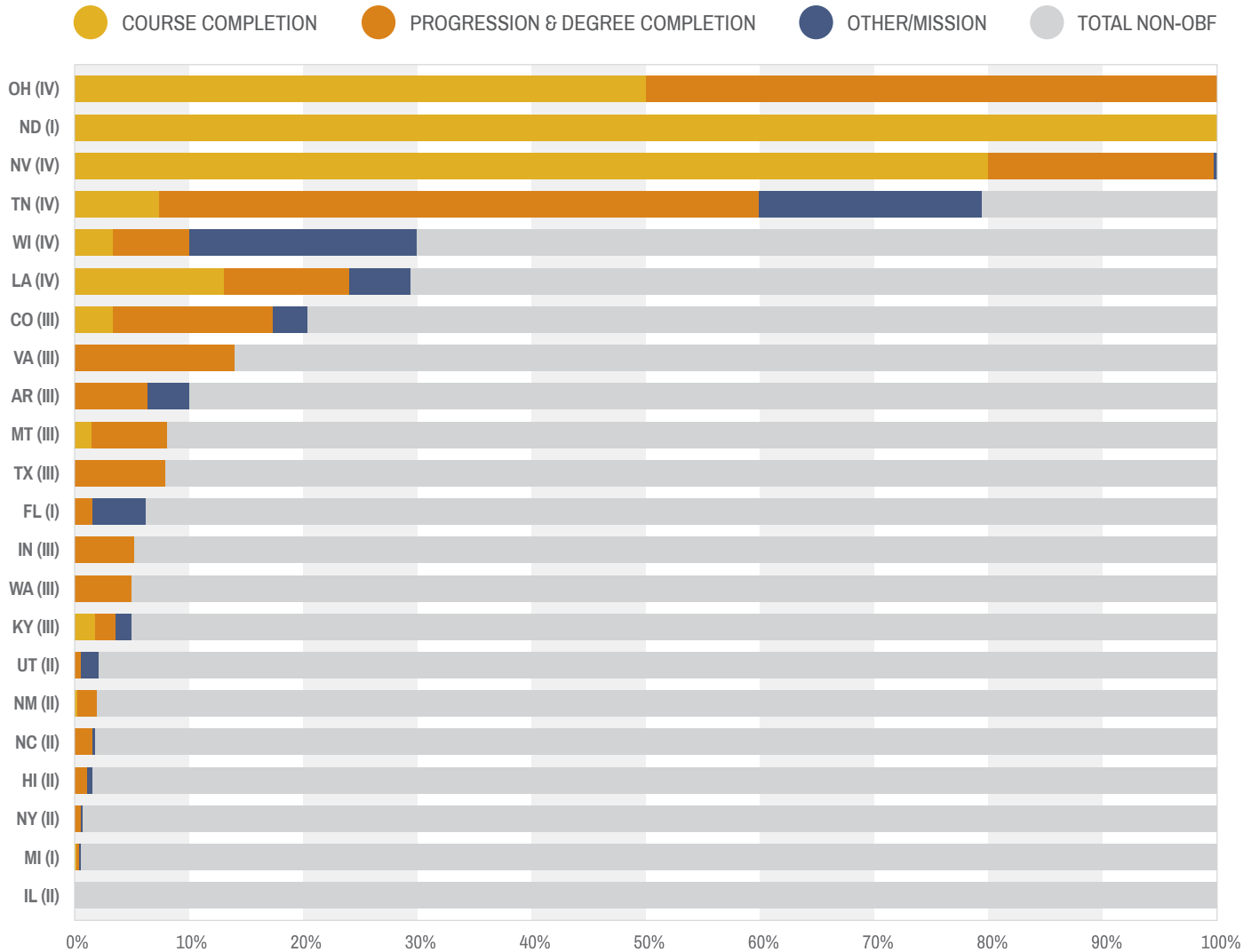


CHART NOTES:

Course completion includes completed credit hours and dual credit completion metrics.

Progression & Degree Completion includes progression, completion, and transfer metrics.

Other/Mission includes research, workforce, efficiency, affordability, quality, and other metrics.

CHART 3. OBF IN FOUR-YEAR SECTORS AS A PERCENTAGE OF OVERALL SECTOR INSTITUTIONAL SUPPORT

Outcomes-Based Funding in Four-Year Sectors as a Percentage of FY 2018 State Institutional Support

Broken out by course completion, progression/degree completion and mission components

● COURSE COMPLETION
 ● PROGRESSION & DEGREE COMPLETION
 ● OTHER/MISSION
 ● TOTAL NON-OBF

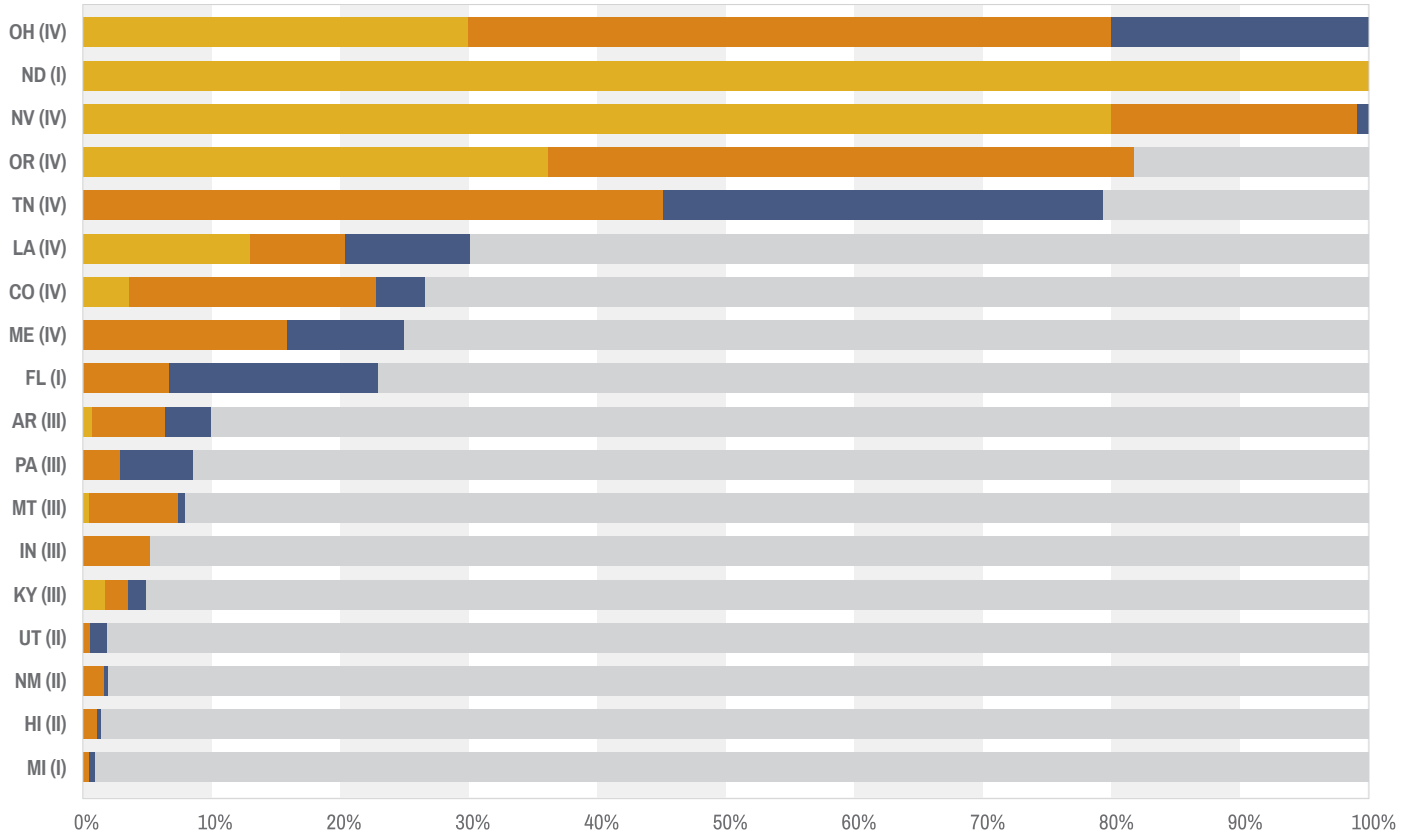


CHART NOTES:

Course completion includes completed credit hours and dual credit completion metrics.

Progression & Degree Completion includes progression, completion, and transfer metrics.

Other/Mission includes research, workforce, efficiency, affordability, quality, and other metrics.

OBF IN CONTEXT OF OTHER REVENUE SOURCES IN 2017-18

Outcomes-based funding formulas do not exist in a vacuum, but stand alongside other sources of funding. Those other sources—e.g., tuition and fees, federal research grants, private fundraising—may support institutional strategies that are compatible with outcomes funding, but may also work in ways that are unrelated or even in opposition to the goals of outcomes funding. To understand how outcomes funding might affect institutions' and students' choices and outcomes, it is important to consider it in the context of other major revenue sources. In this regard, no two states are the same, and each has created a very different fiscal environment for institutions and students.

OBF AND CORE FUNDING

Tuition and fee revenue, which is essentially a form of enrollment-based funding, is now the most significant source of support for instruction in most states. Alongside state appropriations, tuition is considered part of the “core” funding that supports institutions' instructional mission. Public institutions vary widely in how much of their core funding comes from the state and how much comes from tuition, so the size of a state's investment in outcomes funding should be evaluated relative not just to other state sources, but also to institutions' tuition revenue.

The following analysis of outcomes funding in the context of core revenue in six states shows how OBF stacks up when tuition is included alongside other state support. Table 8 shows how core revenue streams support the two-year sectors in Colorado, Indiana, Ohio, Oregon, Tennessee and Texas (which has a significant OBF model only for two-year colleges). These states were selected because each has an OBF model in place. Table 9 shows a similar analysis for four-year institutions, with Oregon (which has a significant OBF model only for four-year colleges) substituted in place of Texas.

TABLE 8. TWO-YEAR INSTITUTION CORE FUNDING: SELECT STATES WITH OUTCOMES-BASED FUNDING

State	ENROLLMENT-DRIVEN FUNDING		PROGRESS-AND-COMPLETION DRIVEN FUNDING		OTHER OUTCOMES-DRIVEN FUNDING	OTHER / UNKNOWN BASIS FOR FUNDING
	Tuition and Fees	Enrollment Formula Funding	Progress (Momentum Points, Credit Hour Thresholds, etc.)	Degree and Certificate Completions	Other Outcomes (Job Placement, Course Completion, Efficiency/Quality Metrics, etc.)	Other State and Local Appropriations
TN	54%	5%	9%	15%	8%	9%
OH	32%	0%	14%	9%	24%	21%
IN	34%	0%	0%	4%	0%	62%
IN*	34%	0%	2%	49%	3%	12%
TX	46%	36%	3%	1%	0%	14%
CO	61%	28%	1%	4%	0%	6%

**Indiana formula long-term effect, if consistently implemented over time*

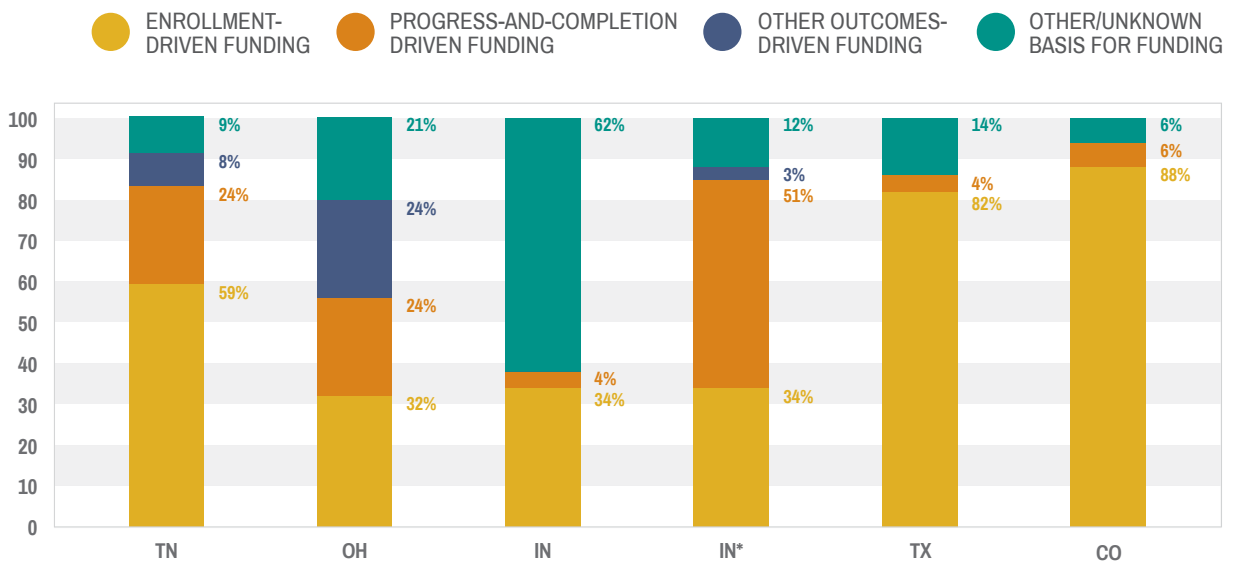
TABLE 9. FOUR-YEAR INSTITUTION CORE FUNDING: SELECT STATES WITH OUTCOMES-BASED FUNDING

State	ENROLLMENT-DRIVEN FUNDING		PROGRESS-AND-COMPLETION DRIVEN FUNDING		OTHER OUTCOMES-DRIVEN FUNDING	OTHER / UNKNOWN BASIS FOR FUNDING
	Tuition and Fees	Enrollment Formula Funding	Progress (Momentum Points, Credit Hour Thresholds, etc.)	Degree and Certificate Completions	Other Outcomes (Job Placement, Course Completion, Efficiency/Quality Metrics, etc.)	Other State and Local Appropriations
TN	68%	0%	2%	12%	11%	7%
OH	69%	4%	0%	15%	11%	0%
IN	63%	0%	0%	1%	1%	35%
IN*	63%	0%	1%	18%	12%	6%
OR	75%	0%	0%	12%	8%	5%
CO	85%	8%	0%	3%	0%	4%

*Indiana formula long-term effect, if consistently implemented over time

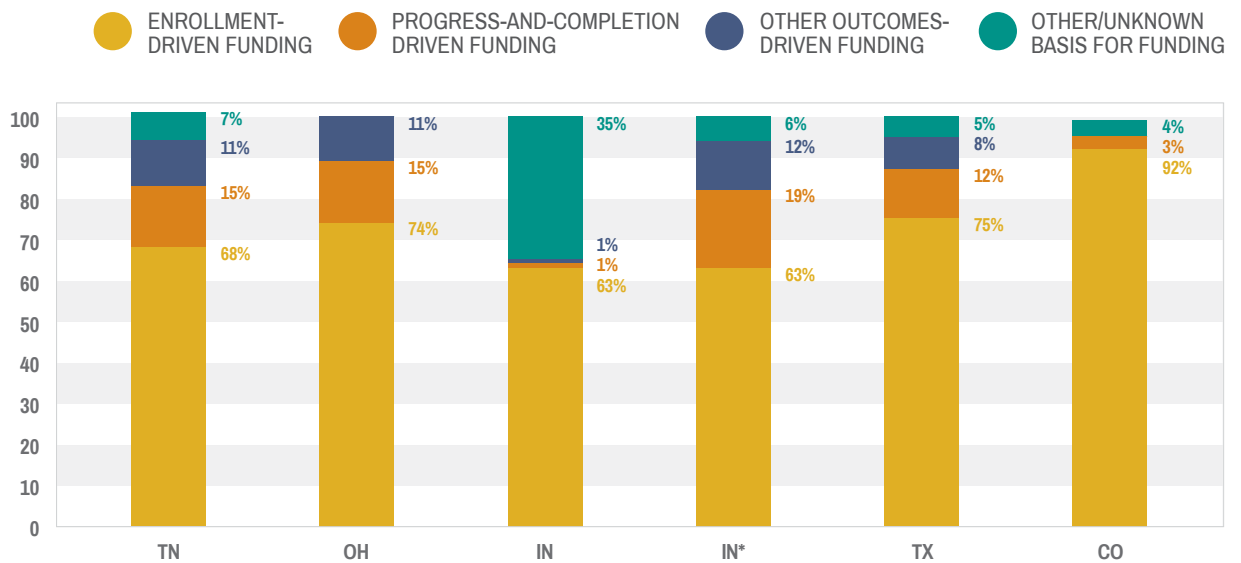
This analysis shows how, even in states that have nearly or entirely eliminated enrollment funding, when tuition is included, there is still more funding for enrollment than for progress and degree completion. At least in the short term, degree and certificate outcomes account for a maximum of 15% of core funding, with progress accounting for a maximum of 14%. Especially in the four-year sector, where tuition rates are higher, tuition revenue substantially outpaces all outcomes revenue.

CHART 4. TWO-YEAR INSTITUTION CORE FUNDING: SELECT STATES WITH OUTCOMES-BASED FUNDING



THIS INFORMATION AND ANALYSIS WAS DEVELOPED WITH THE SUPPORT OF NATE JOHNSON AND ERIC ATCHISON FROM POSTSECONDARY ANALYTICS

CHART 5. FOUR-YEAR INSTITUTION CORE FUNDING: SELECT STATES WITH OUTCOMES-BASED FUNDING



INDIANA, TENNESSEE AND THE CHALLENGES OF COMPARING FUNDING SYSTEMS

Indiana is shown twice in this analysis because its formula works differently in the long term from the short term. In the short term—each budget year—the state sets aside a small percentage of total institutional funding for outcomes. Unlike the other states, however, it allocates this amount based not on the total outcomes produced but on the incremental change. So whereas other states may have small changes in how a larger amount of funding is allocated, Indiana can have large changes in a small amount of funding. Also, unlike other states, it adds the amount allocated to institutions' long-term base, so a change in outcomes in one year has an impact on future years' funding as well. As a result, in the long term, if the state consistently uses this approach, the entire "base" will be allocated using the formula. In the numbers noted with an asterisk, Indiana would end up with a much larger share of funding allocated by outcomes than other states, but only over the course of many years.

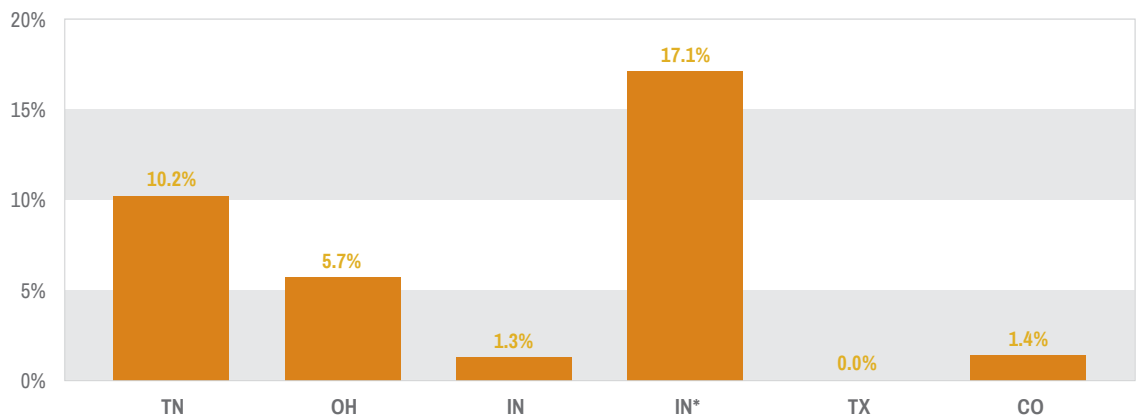
Tennessee, to cite the state that allocates the most funding based on short-term outcomes, reallocates most of the "base" every year using a three-year average of institutions' total outcomes. The three-year average provides some stability in year-to-year funding levels, by spreading the impact of a change in outcomes over three funding cycles.

The result in both states is a system that balances the need for short-term financial stability against the long-term goal of allocating significant funding by outcomes. Both states end up distributing more than others based on outcomes while providing protection against wild swings in year-to-year institutional funding. They get to that point, however, by very different mechanisms.

WEIGHTING

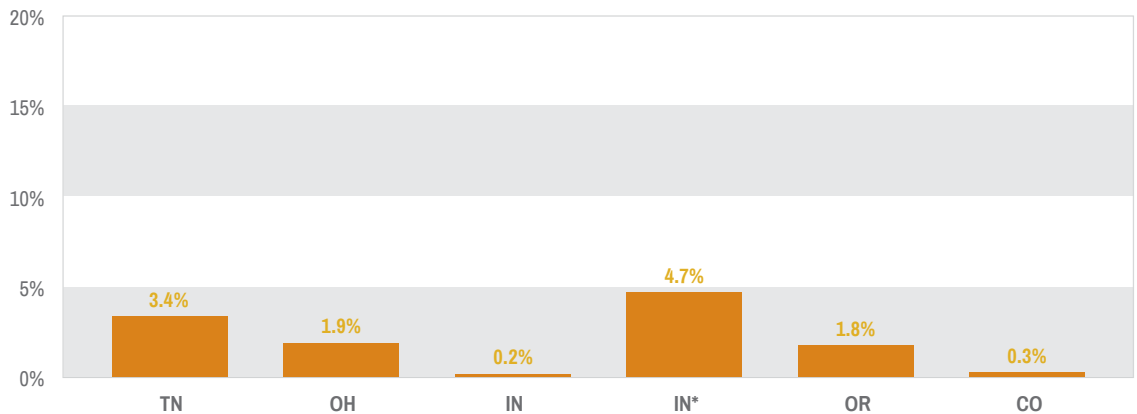
The additional weight given to low-income or at-risk students in outcomes-based funding formulas should also be set alongside the total amount of core funding. A funding system built primarily on tuition and fees is biased from the outset toward more affluent students, a bias that the weight may help to counter. Weights can also compensate for the often higher costs of serving underprepared or at-risk students who need more instructional and support resources to succeed. Charts 6 and 7 show how much of total core funding (including enrollment, outcomes and other core state funds) is allocated in the form of these incremental weights on priority student populations.

CHART 6. TWO-YEAR INSTITUTION CORE FUNDING: PERCENT BASED ON PRIORITY POPULATIONS (E.G., LOW-INCOME OR AT-RISK)



**Indiana formula long-term effect, if consistently implemented over time*

CHART 7. FOUR-YEAR INSTITUTION CORE FUNDING: PERCENT BASED ON PRIORITY POPULATIONS (E.G., LOW-INCOME OR AT-RISK)



**Indiana formula long-term effect, if consistently implemented over time*

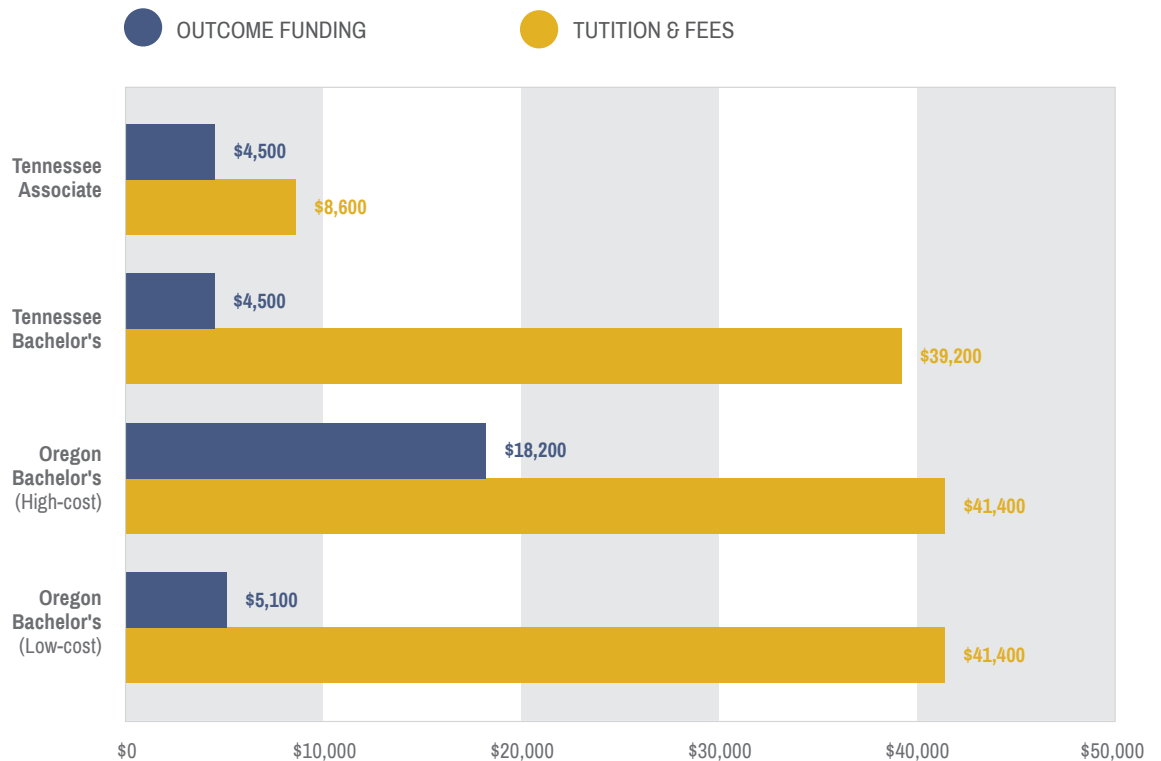
Again, especially in four-year sectors where tuition and fee revenue predominates, even the most significant weights for priority or hard-to-serve students (in Tennessee) end up allocating a relatively small share of total revenue.

DOLLARS PER OUTCOME AND FORMULA TRANSPARENCY

Another way to look at revenue in context is to estimate the net revenue produced by enrolling or graduating one student. Unfortunately, most state formulas make this relatively difficult to assess, but Oregon and Tennessee demonstrate two different ways states can provide more transparency around how their formulas work. Oregon estimates the value of a single degree for examples of low- and high-cost fields in its *Public University Budget Report Summary 2017-18*. Tennessee provides an interactive Excel workbook, *Outcomes-Based Funding Dynamic Simulation*, that allows users to model incremental changes in different outcomes and see the estimated impact on the overall formula for 2018-19. By entering a value equivalent to one degree in this model and multiplying by three to get the total value of that degree over the time period it will affect an institution's three-year average, a user can approximate the marginal value to one institution of one degree.

In Chart 8, the values associated with one undergraduate degree are compared with the approximate value of two years (for associate) or four years (for bachelor's) of tuition and fees at the 2017-18 state average rate in the College Board's *Trends in College Pricing*.

CHART 8. TUITION AND FEE REVENUE COMPARED WITH OUTCOMES FUNDING REVENUE IN OREGON AND TENNESSEE



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The numbers in Chart 8 are not precise, given the many variables involved, but they show roughly how amounts associated with outcomes compare with revenue generated through tuition and fees. They also leave out other ways a student might affect the formula—through credit hours in Oregon’s model, for example, or progress toward benchmarks in Tennessee’s. In both states, however, degrees have a relatively large weight. Note that of the four examples, the value of an associate degree in Tennessee is relatively high compared with the tuition revenue generated, since community colleges generally have lower tuition, and degrees are two years instead of four. As states look to Tennessee for its example with free community college, they may also want to consider whether they could expect the same results without this type of outcomes-based state subsidy also in place.

OTHER FUNDING

While the preceding analysis focuses on “core” funding, policymakers should also keep in mind the much broader picture of institutional revenue and what types of activities and outcomes are supported. At the state level this would include capital funding for institutions and financial aid for students, but it would also extend to federal and private contract and grant funding, philanthropy, auxiliary enterprises (e.g., housing, food service) and hospital revenues. Each of these potential revenue sources can support different kinds of institutional strategies and business decisions.

APPENDIX A: DESIGN AND IMPLEMENTATION PRINCIPLES

Analysis of early and contemporary performance funding policies has yielded a number of design and implementation considerations to guide states in developing and/or updating their OBF models. Many of the current policies reflect these recommendations, which are described below along with their research underpinnings. As previously noted, the typology presented in this paper is derived from these design and implementation principles. Following them can inform the development of strong OBF policies.

DESIGN PRINCIPLES

1. Communicate leadership commitment to pursue specific statewide priorities regardless of a state's funding situation and establish consensus around goals.

State leadership must be firmly committed to and clearly articulate statewide priorities, such as a goal to increase the percentage of residents who complete a postsecondary degree. The commitment must be maintained regardless of the state's funding situation; if budget cuts are necessary, the outcomes-based funding formula should still be used to allocate some portion of dollars to institutions.

Securing agreement around a bipartisan, statewide "public agenda" that is targeted to the state's needs and its residents—not just postsecondary institutions—before developing an OBF policy will help ensure its sustainability. Seeking stakeholder input will help to ensure broad support and technical accuracy in building an OBF model.

Link to Research: Research shows that aligning funding with statewide priorities can lead to greater scrutiny of effectiveness of campus programs and services and promote better alignment between campus planning, budgeting and performance.ⁱⁱ Several of the earlier performance funding models were not clearly linked to a definitive goal, focused on completion or connected to well-defined policy priorities and objectives for the state's investment in higher education¹. The funding policy was trying to be all things to all priorities, sending mixed and often misaligned signals to institutions. Additionally, many early models did not engage institutions in the planning or design of funding models.ⁱⁱⁱ As a result, there was a perception that the funding model used inappropriate measures and did not accurately reflect the mission of institutions toward achieving state goals.

Tennessee's efforts are a good illustration of this evolution. The state's early efforts at performance-based funding were limited in their effectiveness in part because they lacked a specific goal and broader agenda that encapsulated the funding model and other policies^{iv}. The adoption of the Complete College Tennessee Act in 2010 provided the broader strategic objectives and goals for the state's system of higher education, and therefore the framework for how the state's funding should be allocated.

¹ For example, early performance funding models in many states (such as Kentucky, Louisiana and South Carolina) had a mix of measures focused on inputs, processes and outcomes. Many of the metrics were difficult to define and consistently measure. Examples include: global perspective in academic programs (Kentucky); review of gender issues (Kentucky); use of technology in student learning (Kentucky); best practices in administration (Louisiana); faculty activity (Louisiana); approval of mission statement (South Carolina); quality of faculty (South Carolina); and quality of entering students (South Carolina). Kentucky and Louisiana have since implemented new outcomes-based funding models. South Carolina has discontinued use of its performance funding model.

Associated Typology Criterion: This design principle is directly associated with the typology criterion that the funding model is linked to established completion or attainment goals and related priorities.

2. Make funding meaningful and secure.

The share of institutional funding devoted to OBF must be large enough to garner attention, shape priorities and influence actions. Research has not informed a precise amount or percentage of funding to be allocated on outcomes. However, as the intent is to align the state's finance policy with the state's policy priorities, as was done with enrollment-driven policies, it would hold that a similar approach should be taken with outcomes-based funding policies. The less the allocation model is tied to outcomes, the less the state's finance policy is aligned with its completion priorities and needs. This is a particular issue when the allocation model is solely reliant on new funding. These new-funding-only models have significant challenges in sustainability and reflect limited alignment of state postsecondary investments with state attainment needs. Additionally, if the outcomes-based formula is implemented with new money only, this bonus allocation is often the first thing reduced or eliminated in tight budget climates. Building OBF into institutions' recurring allocations promotes sustainability and ensures that the policy intent does not languish while waiting for new funding that may never materialize.

Link to Research: Several analyses of earlier performance funding models cite small amounts of funding as an important limiting factor for the intended impacts of the funding policies.^v These earlier models linked a very small proportion (often 1 or 2 percent) of an institution's total state allocation to the established measures. If the large majority of institution funding remains based in prior allocation models, it will be difficult for the measures to drive behavior and produce significant results. In fact, as quoted by Dougherty and Reddy (2013), institutional leaders indicated they felt these models were merely symbolic and did little to change behavior beyond data collection and analysis.^{vi}

Evidence of the effects of sustaining policies over time appear in several studies. One national study looked at bachelor's degrees conferred in states with performance funding policies. Another focused on the implementation and effects in the state of Washington, where community colleges adopted new policies. Both showed no significant results from the policies in early years of implementation but showed significantly positive impacts on the number of degrees conferred after the policies had been sustained over multiple years.^{vii} Further, studies conducted in Tennessee, Indiana and Ohio by Research for Action indicate outcomes-based funding policies affect student outcomes. For example, though it accounts for less than 10 percent of the support the state provides to institutions, Indiana's outcomes-based funding policy has been sustained over multiple years, including times of budget cuts.^{viii} This clear commitment and sustainability provides incentives for institutions to focus target strategies that increase outcomes reflected in the formula. These findings indicate that, if given sufficient time for implementation, the more immediate institutional responses to financial incentives translate into longer-term student outcomes.

Associated Typology Criteria: This design principle corresponds with the typology criteria on utilizing recurring funding, ensuring a significant level of funding and sustaining funding for the model over consecutive years.

3. Identify limited, measurable metrics.

OBF must be clearly tied to the state's goals and priorities and include metrics identified at the outset that are easily measured and available; otherwise, the system may be compromised or lose credibility. Metrics that are ambiguous, easy to game or inconsistently reported should not be included. For instance, metrics should emphasize the volume of graduates versus graduation rates, as rates are easier to game.^{ix} The OBF formula should track a limited number of metrics, or risk diluting the focus on key priorities. States should consider metrics that link to workforce needs (such as priority degree fields and levels) and metrics related to job placement, wage data, return on investment and quality, in addition to success with underserved populations as noted below.^x

Link to Research: Early performance funding models were often weighed down with too many metrics. In many cases the metrics were not easily understood or quantifiable and lacked reliable, consistently collected data.^{xi} Additionally, many models included measures focused more on inputs or processes than student progression and outcomes.^{xii} Examples include metrics such as: curricula offered to achieve a mission; adoption of a strategic plan; inclusion of a global/international perspective into academic programs; and use of best management practices.^{xiii} Collectively, this resulted in complicated funding systems and burdensome data collection requirements.

Associated Typology Criteria: This design principle is associated with two typology components: addressing institutional mission through varying weights, scales or metrics, and the inclusion of degree/credential completion as a primary metric. Additionally, a funding model derived from a state completion or attainment goal and associated priorities will limit the metrics included to those aligned with the articulated goals.

4. Include all institutions and allow for differentiation.

All institutions contribute to meeting a state's postsecondary goals and should be included in the OBF model. However, metrics should allow for differences in institutional mission, student population and other characteristics. Some OBF models apply a few metrics across institutions, while adopting other unique metrics and weighting them differently across types of institutions. In some states, separate formulas have been developed for the different sectors, often with common categories of metrics but different operational definitions (e.g., degree levels, course completion milestones and mission-aligned metrics such as research for the four-year sector and job placement for community colleges). Many OBF models employ multiple strategies to ensure mission-aligned outcomes-based funding policies.

Link to Research: Some states have models focused on one institutional sector—for instance, a state's community colleges—leaving other institutions free of funding accountability. Early models that did include all public institutions failed to adequately distinguish metrics across sectors. This promoted mission creep or put certain institutions at an immediate disadvantage.^{xiv}

Associated Typology Criterion: This design principle is directly reflected in addressing institutional mission through varying weights, scales or metrics. Using OBF to allocate funding to all sectors and institutions is no

longer part of the typology criteria, as the current criterion solely examines sector-level models. However, the inclusion of both two-year and four-year sectors is still considered a best practice.

5. Prioritize the success of underserved populations.

Many states include separate metrics for, or give extra weight to, graduating academically underprepared, low-income, adult or underrepresented students in their OBF models. This guards against providing institutions an incentive to restrict access (by enrolling only those students most likely to succeed and with the fewest risk factors) in order to boost completion rates. The success of students from underserved populations is critical to meeting states' workforce needs. The models in place in leading states, such as Indiana, Ohio and Tennessee, reflect premiums or a focus on certain student populations, such as low-income, adult, underrepresented minority and academically at-risk students. More research is needed to determine the optimal method for incorporating these metrics into OBF models. After five years of implementation, Tennessee increased the premium applied from a flat rate of 40 percent to a premium of up to 120 percent for students falling into the three identified populations: adult, low-income and at-risk. A recent report by CLASP analyzes the various equity measures and applications states incorporate into their funding model. Some key recommendations in their analysis include: ensuring the weighting or bonus measures are sufficient to offset incentives to increase selectivity as a way of increasing outcomes, and ensuring these measures are mandatory and not optional for institutions.^{xv} Further, well-designed funding models limit use of metrics that rely on rates, which can be increased by restricting who is let in and do not necessarily reflect progress toward increased attainment. This runs counter to the underlying need for the state to not only expand access to students but support the increased success of all students.

Link to Research: Unless explicitly accounted for, outcomes-based funding models that reward success could have the unintended consequence of rewarding colleges that have better-prepared students or providing an incentive for colleges to make admissions criteria more restrictive. If explicit focus and priority is not placed on supporting the success of high-need students, these models could encourage colleges to restrict admissions to less well-prepared or low-income students to boost graduation rates or other formula measures.^{xvi}

In Tennessee and Indiana, evidence indicates the funding policies are having positive effects on students across a range of outcomes. The research indicates some improvement in outcomes for Pell students in Tennessee and students of color in both states, though the results are weaker. The findings reinforce the need for states to drive dollars based on outcomes but also the necessity to direct money in ways that ensure more equitable results for all students.^{xvii}

Associated Typology Criterion: This design principle is directly associated with the typology criterion of prioritizing the success of underrepresented students.

6. Use a formula-driven funding structure instead of pre-set targets and goals.

Formula-driven models use a structured set of rules to distribute funding. There are many versions. For example, a model may award a certain dollar amount for each additional outcome produced, or a model may allocate funding toward institutions that produce a larger share of outcomes relative to other institutions. The key

distinction is that formula-driven models do not use pre-set targets or goals. Targets and goals are extremely difficult to appropriately set. Properly setting a target or goal requires a vast amount of information about institutions' current and future operations and resources. Furthermore, targets and goals cannot account for future circumstances that are outside of institutions' control. For example, unforeseen economic booms or busts may have large effects on student enrollment. In practice, the targets and goals end up being too ambitious or not ambitious enough. Furthermore, targets and goals do not provide a continuous incentive for improvement. For example, if an institution's goal is to produce 100 additional degrees, there is no incentive to produce the 101st degree.

Link to Research: Research indicates the structure of early performance funding models was part of the reason the policy was not sustained—citing arbitrary or inconsistent measures and targets, lack of focus on continuous or sustained improvement, and an uncertainty created by the “all or nothing” approach of target-based allocations.^{xviii} In other words, target-based approaches often establish benchmarks that don't require institutions to stretch or continuously improve in order to succeed. Or they take a punitive nature that can have dramatic effects on certain institutions. A formula-based allocation that proportionally distributes resources ensures all institutions can benefit from the funding model and encourages continuous improvement and sustained investments. An example of a poorly designed target is the University Access Rate metric in the performance funding model for Florida's universities. The goal for achieving excellence for this metric is set at 30 percent of undergraduates receiving a Pell grant. This does not reward institutions with significantly higher numbers of Pell students, nor does it motivate institutions to continue to expand access to this population.

Associated Typology Criterion: This design principle is directly associated with the typology criterion of formula-driven and providing incentives for continuous improvement.

7. Reward progress and short-term success milestones.

Rewarding short-term success milestones encourages interim progress and eases the transition to OBF. Because such interim measures should not detract from the longer-term outcomes sought, the progress measures may be weighted in a way that prioritizes the completion outcomes.

Link to Research: Including student progress and shorter-term milestones is another common way for states to address the needs of underserved and/or underprepared students. These metrics, often referred to as “momentum points,” are based on research conducted by the Community College Research Center for the Washington Board of Technical and Community Colleges. They represent key points that lead to greater persistence and success, irrespective of student background characteristics—social or academic.^{xix}

Associated Typology Criteria: While the typology does not directly reflect this principle, it is related to how a state's funding model derives from completion or attainment goals and priorities. For example, increased completion will require institutions to be more successful in getting students to complete remedial needs, into and through first college-level math and English, and to achieve key credit milestones. Differentiation of metrics and weights by sector is also connected to this principle, as progress and short-term milestones are well aligned to the mission of community colleges, and in many cases comprehensive four-year institutions.

IMPLEMENTATION PRINCIPLES

1. Phase in impact of transition to OBF.

To prevent large, disruptive shifts in funding, the impact of new funding models should be calibrated to allow institutions time to adjust to new expectations. Paying close attention to the design principles noted above, which include multiyear averages to stabilize the data, is the first step toward ensuring a predictable model. Upon implementation, states have also used a stop-loss or other calibration method, such as phasing in the percentage of the formula based on outcomes.

Link to Research: Institutional capacity to respond to newly articulated expectations varies widely.^{xx} This is particularly true when states make significant changes to how institutions receive their recurring or core general allocation dollars.

Associated Typology Criteria: This implementation principle is not directly reflected in the typology as it is influenced by the various design principles described above. In many cases, the current low or moderate level of state funding associated with outcomes is a reflection of this principle, as the allocation through outcomes will increase over time. In states such as Tennessee and Ohio, where significant levels of general appropriation funding are allocated through outcomes, various methods were employed (weighting structure/formula design, calibration, stop-loss, data stability) to ensure that the model's impact is phased in and does not result in large shifts of dollars year-to-year.

2. Continuously improve data.

Necessarily, any funding model is limited by the measures that can be appropriately included—those that are clear, measurable and consistently collected. Given that state data systems are in different stages of development in terms of types and quality of data available, there should be ongoing and continuous improvement to data systems. This will allow states to incorporate measures that are currently limited but important to the state's overall goals, such as certificates (and other credentials) and job placement.

Link to Research: Policymakers and institutional stakeholders have raised concerns that the operational measures available to include in outcomes-based funding models are limited and noted the challenges of including strong indicators for certain desirable educational outcomes.^{xxi} In many states, however, the presence of an outcomes-based funding model has spurred collection and reporting of new data elements.^{xxii}

Associated Typology Criterion: This implementation principle is not currently reflected in the typology. However, it is closely linked to the goals and priority criterion, as the funding model will (appropriately) be limited by the data available. Efforts to improve data collection can help states refine models to more closely reflect ultimate goals and priorities, such as certificates and job placement.

3. Evaluate and adjust.

In addition to supporting independent research to evaluate qualitative and quantitative impacts of OBF, states

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should carefully monitor and evaluate their policies. When data and experience warrant, adjustments should be made to the model, phasing in larger changes over time. In several states, the stakeholders who initially developed the OBF models meet periodically to discuss progress and enhancements.

Link to Research: Research indicates that early funding models produced a range of unintended impacts that were left unevaluated and unaddressed.^{xxiii} Working to mitigate and respond to these concerns is an important and ongoing process, true of any funding model.

Associated Typology Criterion: This implementation principle is not directly reflected in the typology but represents a larger, overarching principle that should be part of any state policy—finance or other. As with all policies, states should examine OBF models to understand, at a minimum, their effectiveness and continued alignment with state goals and priorities.

APPENDIX B: STATE POLICY SUMMATIVE CHARTS

ARKANSAS		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	III	III
Funding Level	Moderate	Moderate
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Target/Recapture	Target/Recapture

COLORADO		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	III
Funding Level	High	Moderate
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

FLORIDA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	No	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	I	I
Funding Level	Moderate	Moderate
Reflects Institutional Mission	Yes	No
Includes Total Degree/Credential Completion	No	No
Underrepresented Student Success Prioritized	No	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Target/Recapture	Target/Recapture

HAWAII		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	II	II
Funding Level	Low	Low
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Target/Recapture	Target/Recapture

ILLINOIS		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	II
Funding Level	N/A	Low
Reflects Institutional Mission	N/A	No
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	No
Formula-Driven or Target/Recapture	N/A	Formula

INDIANA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	III	III
Funding Level	Moderate	Moderate
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

KENTUCKY		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	III	III
Funding Level	Moderate	Moderate
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	No	No
Formula-Driven or Target/Recapture	Formula	Formula

LOUISIANA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	IV
Funding Level	High	High
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

MAINE		
Sectors Implementing OBF in FY 2018	Four-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	N/A
Funding Level	High	N/A
Reflects Institutional Mission	Yes	N/A
Includes Total Degree/Credential Completion	Yes	N/A
Underrepresented Student Success Prioritized	Yes	N/A
Implementing for Two or More Years	Yes	N/A
Formula-Driven or Target/Recapture	Formula	N/A

MICHIGAN		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	New	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	I	I
Funding Level	Low	Low
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	No
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

MONTANA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	III	III
Funding Level	Moderate	Moderate
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

NEVADA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	IV
Funding Level	High	High
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

NEW MEXICO		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	II	II
Funding Level	Low	Low
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

NEW YORK		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	No	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	II
Funding Level	N/A	Low
Reflects Institutional Mission	N/A	No
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

NORTH CAROLINA		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	No	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	II
Funding Level	N/A	Low
Reflects Institutional Mission	N/A	No
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	No
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

NORTH DAKOTA		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	I	I
Funding Level	High	High
Reflects Institutional Mission	No	No
Includes Total Degree/Credential Completion	No	No
Underrepresented Student Success Prioritized	No	No
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

OHIO		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	IV
Funding Level	High	High
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

OREGON		
Sectors Implementing OBF in FY 2018	Four-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	N/A
Funding Level	Yes	N/A
Reflects Institutional Mission	Yes	N/A
Includes Total Degree/Credential Completion	Yes	N/A
Underrepresented Student Success Prioritized	Yes	N/A
Implementing for Two or More Years	Yes	N/A
Formula-Driven or Target/Recapture	Formula	N/A

PENNSYLVANIA		
Sectors Implementing OBF in FY 2018	Four-Year (PASSHE only)	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	III	N/A
Funding Level	Moderate	N/A
Reflects Institutional Mission	Yes	N/A
Includes Total Degree/Credential Completion	Yes	N/A
Underrepresented Student Success Prioritized	Yes	N/A
Implementing for Two or More Years	Yes	N/A
Formula-Driven or Target/Recapture	Target/Recapture	N/A

TENNESSEE		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	IV	IV
Funding Level	High	High
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

TEXAS		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	III
Funding Level	N/A	Moderate
Reflects Institutional Mission	N/A	Yes
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

UTAH		
Sectors Implementing OBF in FY 2018	Four-Year and Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	II	II
Funding Level	Low	Low
Reflects Institutional Mission	Yes	Yes
Includes Total Degree/Credential Completion	Yes	Yes
Underrepresented Student Success Prioritized	Yes	Yes
Implementing for Two or More Years	Yes	Yes
Formula-Driven or Target/Recapture	Formula	Formula

VIRGINIA		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	III
Funding Level	N/A	Moderate
Reflects Institutional Mission	N/A	Yes
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

WASHINGTON		
Sectors Implementing OBF in FY 2018	Two-Year	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	III
Funding Level	N/A	Moderate
Reflects Institutional Mission	N/A	Yes
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

WISCONSIN		
Sectors Implementing OBF in FY 2018	Technical Colleges	
Linked to State Attainment/Completion Goal	Yes	
Base/Recurring or New Funding	Base/Recurring	
SECTOR-LEVEL OBF ANALYSIS		
	Four-Year	Two-Year
Formula Type	N/A	IV
Funding Level	N/A	High
Reflects Institutional Mission	N/A	Yes
Includes Total Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for Two or More Years	N/A	Yes
Formula-Driven or Target/Recapture	N/A	Formula

APPENDIX C: SOURCES

FOOTNOTES AND REFERENCES

Alabama

Senate Resolution 85 created the Alabama Community College Advisory Council on Outcome-Based Funding. The Advisory Council was tasked with developing a report detailing recommendations for an OBF model for the community college system by January 1, 2018. The Advisory Council's report was approved on December 29, 2017, and sent to the governor, the chairman of the House Ways and Means Education Committee, and the chairman of the Senate Finance and Taxation Education Committee, for further review and action.

Information at:

→ <https://legiscan.com/AL/text/SJR85/id/1603514>

Arkansas

Arkansas is implementing outcomes-based funding at both its two-year and four-year institutions. The Arkansas Department of Education recently completed an effort to replace its current OBF model with a new productivity funding formula, beginning in FY 2019.

Information at:

→ <http://www.adhe.edu/institutions/institutional-finance/higher-education-funding/>

→ https://static.ark.org/eeuploads/adhe/4_-_Outcomes-Based_Funding_Report_Card.pdf

California

Governor Brown included a proposal in his recommended FY 2019 budget for a new community college funding allocation formula, based partially on performance measures.

Information at:

→ <http://www.ebudget.ca.gov/FullBudgetSummary.pdf> (pages 43-44)

Colorado

Colorado is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ <https://leg.colorado.gov/sites/default/files/fy17-18apprept.pdf> (pages 81-82)

→ https://highered.colorado.gov/CCHE/Meetings/2016/oct/item_V_A_funding%20model.pdf

hcmstrategists.com**Florida**

Florida is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ https://www.floridacollegesystem.com/publications/performance_funding_model.aspx (two-year)

→ http://www.flbog.edu/board/office/budget/performance_funding.php (four-year)

Hawaii

Hawaii is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ http://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FY18_OpBudgetNarrative.pdf (page 8)

→ <http://blog.hawaii.edu/hawaiigradinitiative/performance-funding-model/>

Idaho

In 2017, the Idaho Higher Education Task Force recommended that a technical committee and outside experts work to fully vet and pressure-test any potential funding formula model that may be recommended later.

Information at:

→ <https://boardofed.idaho.gov/event/full-task-force-meeting-3/>

Illinois

Illinois is implementing outcomes-based funding at its two-year institutions.

Information at:

→ https://www.iccb.org/financial_compliance/?page_id=18

→ <http://www.ilga.gov/legislation/publicacts/100/PDF/100-0021.pdf> (page 598)

Indiana

Indiana is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ http://www.in.gov/sba/files/AP_2017_0_0_0_1_The_Whole_Budget_Report.pdf (page 2)

→ <https://www.in.gov/che/3148.htm>

hcmstrategists.com**Kansas**

The Kansas Board of Regents has established performance agreements with the state universities and community and technical colleges. However, these performance agreements have not allocated funding since FY 2013.

Information at:

→ https://www.kansasregents.org/academic_affairs/performance_agreements

Kentucky

Kentucky is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ <http://www.lrc.ky.gov/record/17RS/SB153.htm>

→ <https://v3.boardbook.org/Public/PublicItemDownload.aspx?ik=41468795>

Louisiana

Louisiana is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ https://www.regents.la.gov/assets/docs/Finance_and_Facilities/FormulaSummit/OutcomesFormula07102017.pdf

Maine

The University of Maine System is implementing outcomes-based funding. The system plans to phase out the OBF model by FY 2019.

Information at:

→ <https://thinkmissionexcellence.maine.edu/wp-content/uploads/2013/06/Final-Draft-OBF-Report-Jan-2013.pdf>

→ <http://staticweb.maine.edu/wp-content/uploads/2014/02/Full-Meeting-Materials-with-out-conf-info1.pdf?565a1d>

Michigan

Michigan is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ http://www.senate.michigan.gov/sfa/Publications/HiEdApprops/HiEdApprops_MostRecent.pdf (four-year; pages 9-10)

→ http://house.michigan.gov/hfa/PDF/Summaries/17h4313h1cr1_Education_Omnibus_Conference_Report_Summary.pdf (two-year, page 22)

*hcmstrategists.com***Missouri**

No funding was allocated for the Missouri performance model in FY 2018. The Missouri Coordinating Board for Higher Education (CBHE) approved revisions to the current model in December 2017 and voted to use the revised model to allocate 10 percent of state funding in FY 2019. Additionally, the CBHE voted to direct the department to begin the process of reevaluating the current higher education funding approach with the intent of (1) establishing guidelines for institutions' appropriation requests, and (2) developing a new model for core appropriations by the September 2018 CBHE meeting.

Information at:

→ <https://dhe.mo.gov/cbhe/boardbook/documents/tabd1217.pdf>

→ <https://dhe.mo.gov/cbhe/boardbook/documents/January2.2018.CBHEMeetingMaterials.pdf> (pages 2-4)

Montana

Montana is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ <https://mus.edu/data/performancefunding/default.asp>

Nevada

Nevada is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ https://www.leg.state.nv.us/Session/79th2017/Bills/AB/AB518_EN.pdf (page 5)

→ <https://nshe.nevada.edu/tasks/sites/Nshe/assets/File/BoardOfRegents/Agendas/2017/mar-mtgs/bor-refs/supp-mat/BOR-22%20%20%202017-2019%20Biennial%20Budget%20Request.pdf> (pages 7-8)

New Mexico

New Mexico is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ https://www.nmlegis.gov/Entity/LFC/Documents/Session_Publications/Post_Session_Fiscal_Reviews/May%202017.pdf (page 19)

→ <http://www.hed.state.nm.us/uploads/files/NM%20I%20%26%20G%20funding%20formula/New%20Mexico%20HED%20Funding%20Formula%20-%202017%20Technical%20Guide%20for%20FY18%20Budget%20Cycle.pdf>

hcmstrategists.com**New York**

New York is implementing the Job Linkage Incentive Fund for community colleges in CUNY and SUNY.

Information at:

→ <https://www.suny.edu/about/leadership/board-of-trustees/meetings/webcastdocs/6%20-%20Job%20Linkage%20Incentive%20Funding%20Program%20Summary.pdf>

→ [http://public.leginfo.state.ny.us/navigate.cgi?NVDT0:\(search for “S2003-D”; then search for “job linkage”\)](http://public.leginfo.state.ny.us/navigate.cgi?NVDT0:(search%20for%20%22S2003-D%22;then%20search%20for%20%22job%20linkage%22))

North Carolina

North Carolina is implementing outcomes-based funding at its two-year institutions and is revising its funding formula at its four-year institutions.

Information at:

→ http://www.nccommunitycolleges.edu/sites/default/files/state-board/finance/fc_12_-_fy2017-18_state_aid_allocation_and_budget_policies_revised_08.16.2017.pdf (pages 29-31)

North Dakota

North Dakota is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ <http://www.legis.nd.gov/assembly/65-2017/documents/17-0511-06000.pdf> (pages 8-9)

→ <https://www.scribd.com/document/339411474/Formula-Handout-November-2016-1>

Ohio

Ohio is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

→ https://www.ohiohighered.org/content/fy2018_operating_budget

Oregon

Oregon is implementing outcomes-based funding at its four-year institutions.

Information at:

→ <http://www.oregon.gov/highered/institutions-programs/public/Pages/university-funding-model.aspx>

*hcmstrategists.com***Pennsylvania**

Pennsylvania is implementing outcomes-based funding at its four-year institutions in the Pennsylvania State System of Higher Education (PASSHE).

Information at:

- http://passhe.edu/inside/bog/_layouts/WopiFrame.aspx?sourcedoc=/inside/bog/BOG%20Agendas/10-2017%20Agenda.pdf&action=default&Source=http%3A%2F%2Fwww%2Epasshe%2Eedu%2Finside%2Fbog%2FPages%2F%20Agendas%2Easpx&DefaultItemOpen=1&DefaultItemOpen=1 (page29)
- <http://www.passhe.edu/FactCenter/Pages/ActionPlans.aspx>

Rhode Island

The Performance Fund Incentive Act of 2016 required the Community College of Rhode Island, Rhode Island College and the University of Rhode Island to reach college-specific performance targets to qualify for additional state money beyond a base amount that the schools received in Fiscal Year 2016. FY 2018 was established as the baseline. Institutions will be held accountable for demonstrating progress above the baseline, beginning in FY 2019.

Information at:

- http://www.rilin.state.ri.us/pressrelease/_layouts/RIL.PressRelease.ListStructure/Forms/DisplayForm.aspx?List=c8baae31-3c10-431c-8dcd-9dbbe21ce3e9&ID=12151&Web=2bab1515-0dcc-4176-a2f8-8d4beebdf488

Tennessee

Tennessee is implementing outcomes-based funding at both its two-year and four-year institutions.

Information at:

- <https://www.tn.gov/thec/bureaus/finance-and-administration/fiscal-policy/redirect-fiscal-policy/outcomes-based-funding-formula-resources/redirect-outcomes-based-funding-formula-resources/2015-20-outcomes-based-funding-formula.html>

Texas

Texas is implementing outcomes-based funding at its two-year institutions.

Information at:

- <http://www.tacc.org/pages/data-and-info/student-success-points>
- <http://www.tacc.org/pages/data-and-info/community-college-funding>

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Utah

Utah is implementing outcomes-based funding at its two-year and four-year institutions. A revised model will be implemented for FY 2019.

Information at:

→ <https://le.utah.gov/interim/2017/pdf/00004475.pdf>

→ <https://le.utah.gov/~2017/bills/static/HB0001.html>

Virginia

Virginia is implementing outcomes-based funding at its two-year institutions.

Information at:

→ [https://www.boarddocs.com/va/vccs/Board.nsf/files/AT4LUS572533/\\$file/Overview%20VCCS%20Outcomes%20Based%20Funding%20Model.pdf](https://www.boarddocs.com/va/vccs/Board.nsf/files/AT4LUS572533/$file/Overview%20VCCS%20Outcomes%20Based%20Funding%20Model.pdf)

Washington

Washington is implementing outcomes-based funding at its two-year institutions.

Information at:

→ <https://www.sbctc.edu/about/agency/initiatives-projects/student-achievement-initiative.aspx>

Wisconsin

Wisconsin is implementing outcomes-based funding at its technical colleges.

Information at:

→ <http://www.wtcsystem.edu/initiatives/performance-funding>

ENDNOTES

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^x Due to limited availability of job placement and wage data in many states, these metrics may require more development.

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