

Outcomes-Based Funding:  
National Context, Design  
Principles and  
Implementation

Texas Higher Education  
Coordinating Board  
Meeting

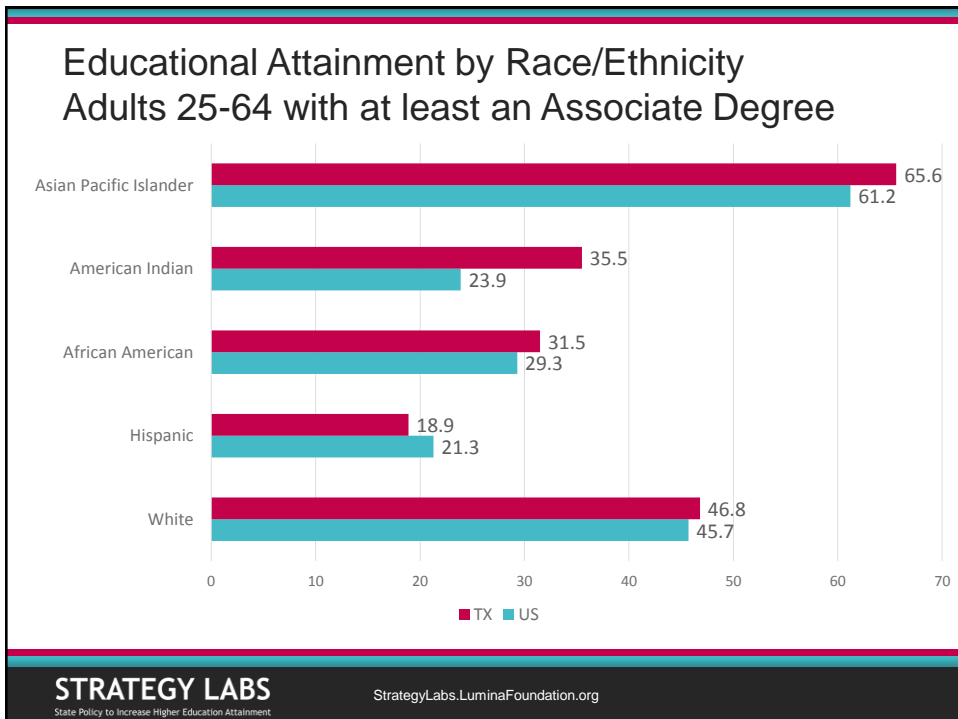
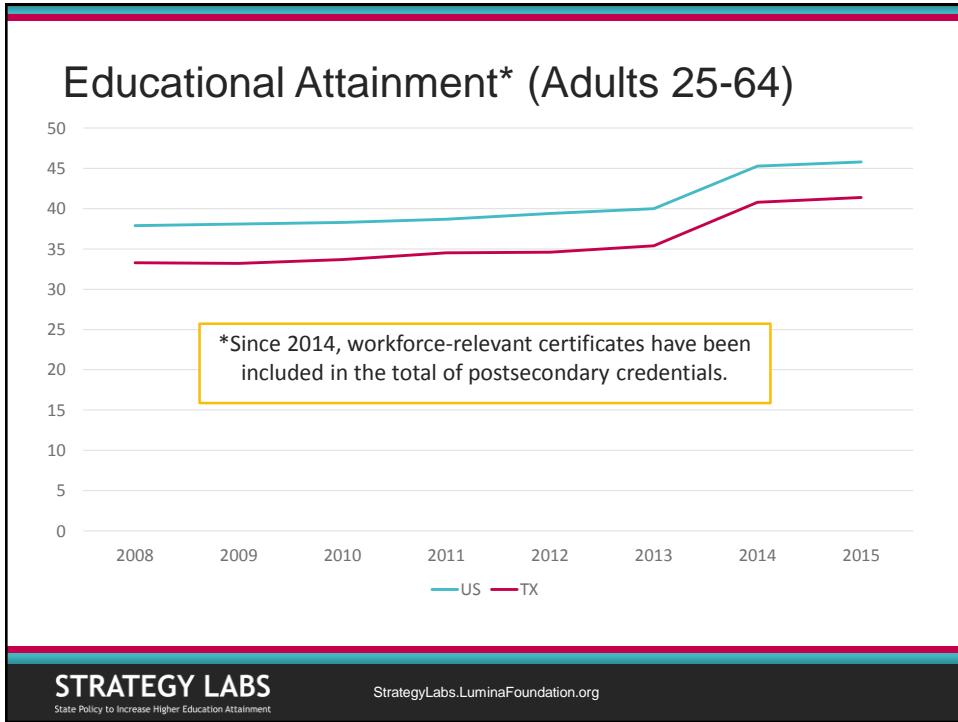
January 25, 2018

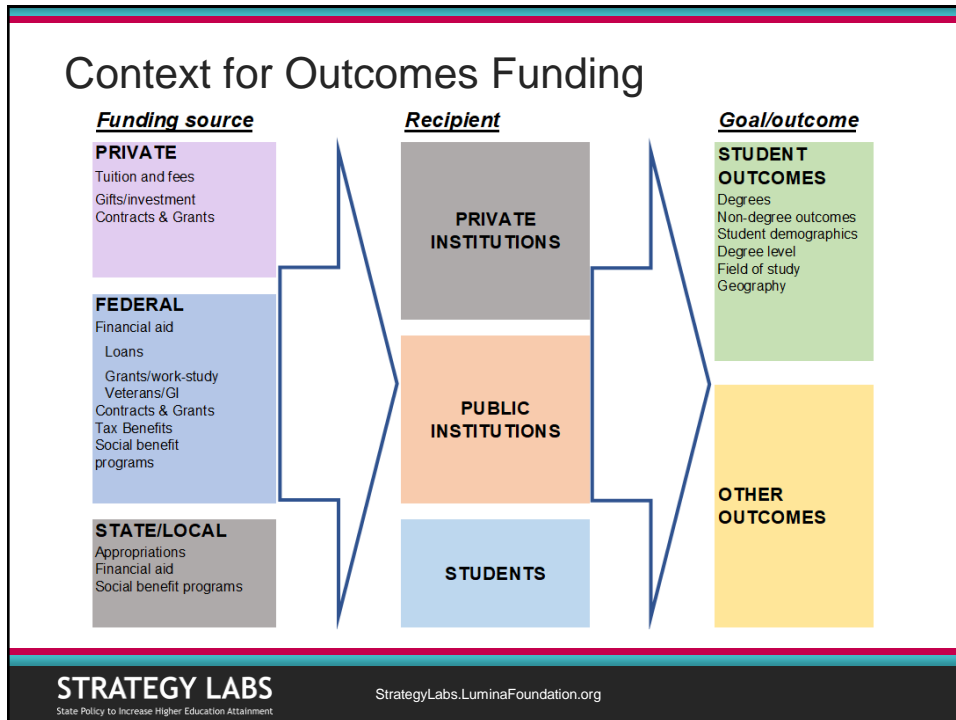
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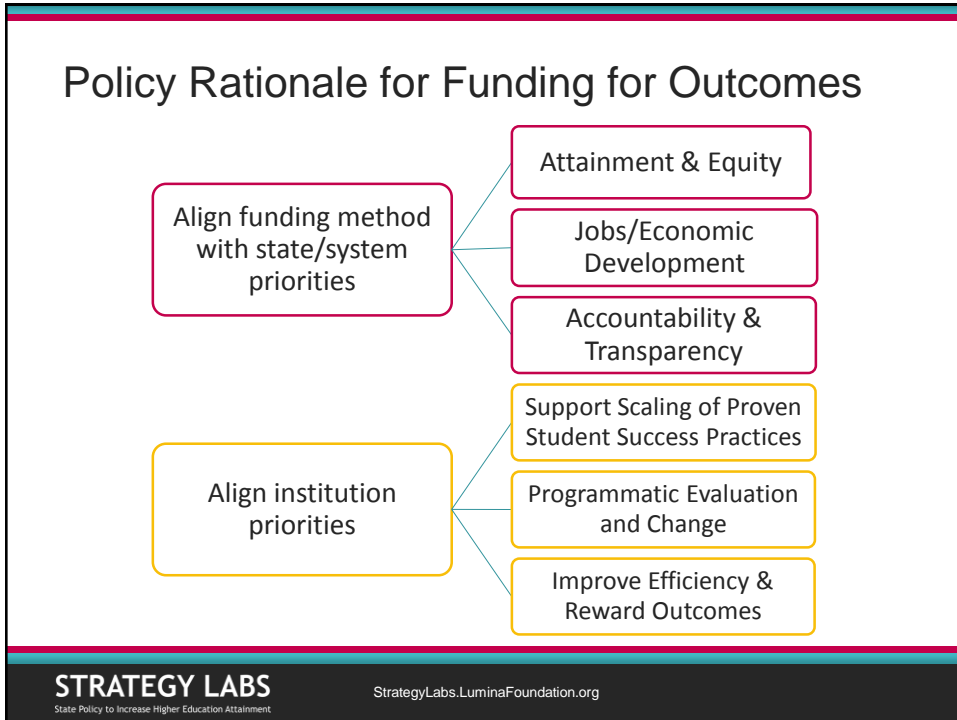


**CONTEXT FOR OUTCOMES-  
BASED FUNDING**

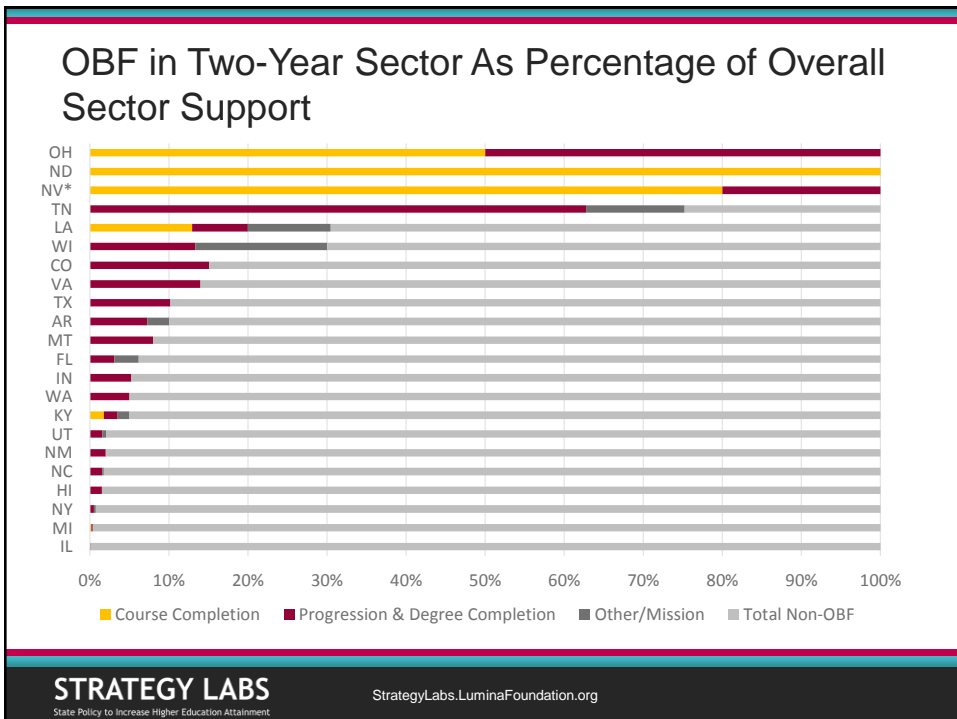
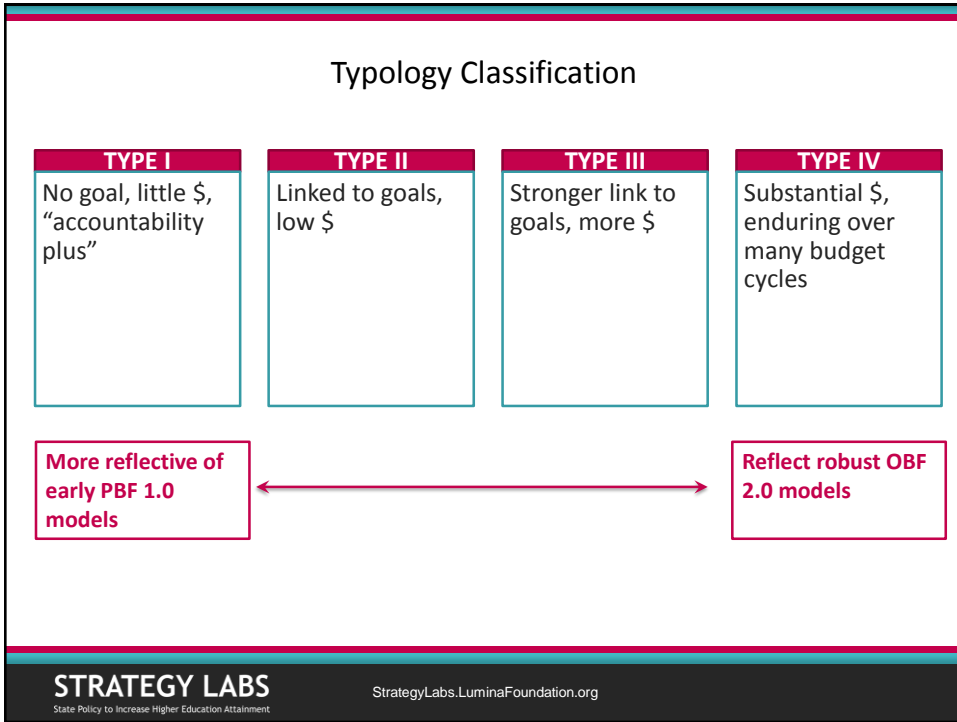




- ## Outcomes-Based Funding History
- Enrollment-driven models were the dominant funding methodology beginning in 1960s
    - Tied to number of students enrolled
  - 1978: TN added “performance funding” bonus component.
    - Many states copied. Fell in and out of favor.
  - Around 2009, several states reexamined old funding methods that no longer aligned with state goals. Sought to link funding to outcomes
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## Texas Outcomes-Based Funding: Summative Chart

Texas		
Sectors with OBF	2-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
Addresses Institutional Mission	N/A	Yes
Includes Degree/Credential Completion	N/A	Yes
Underrepresented Student Success Prioritized	N/A	Yes
Implementing for 2 or more years	N/A	Yes
Formula Driven or Target/ Recapture	N/A	Formula



## DESIGN PRINCIPLES & COMMON METRICS

## Key Design Principles for OBF Models

Begin with a state goal/clear policy priorities

Use a stable and simple approach that supports continuous improvement

Include only measurable metrics, prioritizing credential completion

Incent success of typically underrepresented students

Reflect institutions' missions

Seek Stakeholder Input

Make the money meaningful

Phase-in (≠ Hold Harmless)

Sustain over several years, and plan to evaluate

## Common Metrics Most Aligned with Educational Attainment

- Degrees/Certificates
- Progression
- Priority funding for underrepresented students
  - Underrepresented minorities
  - Low-income students
  - Adults
  - Academically underprepared



## Common Metrics Related to Specific Attainment Concerns

- Job placements
- Wages of graduates
- High demand/STEM degrees

## Other Common Metrics

- Research expenditures
- Public service expenditures
- Successful transfer
- Degrees per 100 FTE

## Common but Most Problematic Metrics

- Graduation rate
- Retention rate
- Other rate and cohort-based metric



**SUPPORTING  
IMPLEMENTATION**

## Challenges for States

- Development
  - Engaging stakeholders/securing commitment
  - Technical sophistication
  - Appropriately weighting/accounting for underserved student populations
  - Balance limited metrics with different institutional missions
  - Quality of data
- Implementation
  - Date and level of implementation not specified from outset
  - Perpetual pilot
  - Validating data
- Sustainability
  - Using model in all funding environments

## Communicate and Support Implementation

- State Level: Policy should be communicated within context of broader state attainment and equity goals; as a tool to align state finance model with these goals and outcome priorities.
- Campus Level: Campus leaders should connect OBF model with existing student success efforts and how it reinforces these efforts or allows them to be brought to scale.

## What to Look for in Research/Practice

- State-level examples closest aligned to TX
- No two funding systems are the same, outcomes-based or otherwise

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