

Paying for Performance

State Seeks Higher Education Results

By Stan Jones

Paying for results. Demanding accountability in return for investments. These are not foreign concepts to business leaders: A company's competitiveness depends on them.

Colleges and universities certainly teach these fundamentals to our future entrepreneurs every semester. And yet higher education has often been successful in resisting efforts by state governments to apply the same approaches to them. That's changing. In state capitols from coast to coast, governors and state legislators are moving policies and legislation to tie state investments in higher education to what states want most for their money: college graduates. Why the change in approach? Simply put, state competitiveness now depends on it.

It's no secret that the demand for highly-skilled, well-educated workers continues to increase. When once the United States could compete globally with a relatively small percentage of its population with college degrees, economists now project we will need six out of 10 Americans with advanced educations by 2020. Today, only about 40% of our prime working age citizens have college educations, leaving America behind over a dozen other countries in higher education attainment.

Add that to this sobering fact: Unless things change quickly, the current generation of Americans will be the first in our country's history to be less educated than their forebears.

It's no surprise then that states feel unprecedented pressure to get smarter faster. To do so certainly requires improving K-12 education outcomes, but that won't be enough. States cannot compete unless thousands more of their college students make it to graduation day. Nationally, only about half who begin college finish, an abysmal and unsustainable reality.

Encouraging signs

But all is not lost. Actually, there's reason for optimism. And I'm pleased to report that Indiana is one of the brightest sources of hope.

Complete College America, a national non-profit whose sole mission is to work with states to significantly boost college completion, is now assisting governors, legislators and higher education leaders in 30 states to set robust goals, write new laws and move policy reforms to remove obstacles and smooth paths to student success. Indiana was one of the first states to join the effort and is rapidly becoming a national model for others to follow.

The most committed states are those that tie their higher education reforms to fiscal consequences: providing their colleges and universities more or less money based on their ability or failure to meet annual state determined goals. In higher education, it's commonly known as "performance funding," and here again, Indiana was an early leader.

Since 2007, a portion of the state support given to Indiana public higher education institutions has been based on

significant metrics designed to incentivize a greater number of degrees conferred, more on-time graduations, smoother pathways for transfer students and more graduates from low-income families. These are all critical measures of student progress and success, just as they are valid measures of a state's determination for more graduates.



Stan Jones

Taking the next step

But Indiana hasn't stopped there. Under the leadership of Gov. Daniels and Indiana Higher Education Commissioner Teresa Lubbers, the state has raised the performance stakes even higher, escalating the portion of state funding tied to additional key outcomes. Metrics of success will now include the number of degrees conferred in science, technology, engineering and mathematics aligned to economic development needs. This is in addition to the change in the overall number of degrees conferred to all students and low-income students. Student progress will be measured and rewarded based on attainment of important milestones, including completion of remediation, first-year English and mathematics and higher-level courses. Institutional productivity will also be rewarded by scrutinizing on-time graduation rates and other improvements.

Clearly, Indiana is committed to significantly improving college completion. In combination with other essential policy reforms, its performance funding plans position the state at the forefront of higher education change.

Hoosier leaders understand that "paying for what one wants" just makes good common sense, no matter the enterprise. While performance funding may be the latest term for this approach in higher education, it really isn't anything new. Until recently, colleges and universities were funded by taxpayers based solely on their success at putting students in classroom seats. In other words, ensuring access to higher education was considered enough. Count the students on the 10th day of the semester and get a check from the state.

When six of 10 Hoosiers must soon have college degrees, enrollment alone won't cut it. We must have more college graduates or suffer the consequences. Indiana's new performance funding measures send a strong signal to institutions, students and taxpayers alike that the state measures its return on investment in student access, progress and success. All Hoosiers will soon enjoy the benefits of this wise stewardship.

INFORMATION LINK

Author: Stan Jones, Indiana Higher Education commissioner from 1995-2009, is president of Complete College America. Learn more at www.completecollege.org