

In higher education, paying for results can pay off

By Jamie Merisotis and Teresa Lubbers

Should public colleges and universities get a funding boost for helping students graduate – especially the economically disadvantaged and those going into high-demand jobs?

If you think the answer is yes, you might be encouraged by a new study that shows the funding boost appears to be working – helping more Hoosiers obtain education and training critically needed in a fast-changing economy.

For state schools in Indiana, it's a case of doing well by doing good: \$143 million in funding based on student outcomes is at stake in the state's current two-year budget. That is a small part of the \$2.6 billion in public support of Indiana colleges and universities, but it's making a big difference.

Philadelphia-based Research for Action, an independent research organization, has studied outcomes funding for several years in Indiana, Tennessee, and Ohio using a wide range of data and sophisticated analytical techniques from four-year institutions.

Among findings:

- During the period studied, full-time students who began college in 2009-11 were more likely to graduate on time, and an extra 1,547 Indiana students earned bachelor's degrees.
- Full-time students who started college in 2011 were 12 percent more as likely to attain degrees in STEM or other high-demand fields.
- Even with a small portion of state funding at stake, the policy's effectiveness has grown each year.

More than just the students and their families benefit. Indiana's economic health depends on a well-educated workforce. Without a dramatic increase in education attainment, Indiana stands to be left behind.

With that in mind, Indiana policymakers have sustained and increased support for outcomes-based funding as part of the state's goal of 60 percent of all working-age Hoosiers obtaining college degrees or high-quality workforce credentials by 2025.

The state's formula rewards colleges for ensuring that students graduate on time and for awarding more degrees and workforce certificates, especially in high-demand fields. Indiana offers additional funding to encourage schools to serve and graduate more students from low-income families.

To meet the nation's growing shortage of talent, several states now use some form of outcomes-based funding for higher education. The idea is to link public dollars to key student outcomes such as credit completion, retention, and annual increases in graduates.

That's a big change from traditional approaches based on enrollment or what budgets in previous years contained. The upshot is that these policies now determine how hundreds of millions of dollars are distributed to public colleges and universities across the country.

Of course, we still have a way to go. The Research for Action research, supported by Lumina Foundation, shows that full-time Pell Grant recipients did not enroll in lower numbers, as some had feared, but they

also did not experience hoped-for gains in completion. Little change was seen for part-time students as well.

And gaps in educational outcomes by race and ethnicity – a major equity concern as well as a roadblock to educational progress – stayed about the same. African-American and Hispanic students in Indiana continue to lag not only white and Asian students but also their counterparts nationally.

While we work on those shortcomings, it's worth pausing a moment to consider just what this study means: Change takes time in education, that's a given. However, this emphasis on accountability and results shows real promise. You would expect it to work, and now we know from the evidence that it can.

There's more to do, but this funding approach means a lot to a state rebooting its economy to be a better global competitor. It means a lot to the Hoosier graduates and their families who in recent years have seen the door to a better life open through education.

Jamie Merisotis is president and CEO of Lumina Foundation. Teresa Lubbers is commissioner of the Indiana Commission for Higher Education.

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(Editor's Note: For more on the effects of outcomes-based funding, see the Research for Action findings at <https://www.researchforaction.org/publications/implementation-impact-outcomes-based-funding-three-states-high-level-findings/>)