

National Context for Outcome-based Funding:

State policy makers across the nation are looking for more effective ways to support public higher education. At the same time we (and state policy makers) want assurance that colleges and universities are helping to achieve state goals: increasing educational attainment levels of residents, supporting the state's workforce needs and stimulating economic development. To advance those goals many are exploring the potential of performance based funding, and specifically, outcomes-based funding, a more targeted type of performance funding.

In fact, both state needs and national priorities are fueling renewed interest in outcome-based funding. These include:

- Efforts to stabilize funding for postsecondary education and reassess how to finance public colleges and universities
- Greater focus on postsecondary degrees and certificate completion, and
- The continuing need to increase success (more students completing credentials) as well as access (more students enrolling and pursuing post-secondary education).

States also are facing the larger issue of rethinking how they finance their postsecondary institutions, as most have reduced fiscal support for public colleges and universities while asking more from them in productivity and quality. Outcomes-based funding will not resolve the state's budget problems, but it is an effective tool for clarifying what a state expects from its public postsecondary institutions.

Performance and outcomes-based funding approaches have reemerged in public policy as a significant strategy to increase college completion numbers and rates. States and institutions are shifting toward rewarding institutions and programs for increasing the number of completions and away from enrollments.

In past efforts, performance based funding operated like a bonus on top of state funding and was based on indicators such as numbers of graduates, job placement, retention and transfer. Recent versions also emphasize some of these indicators: more important the funding is not a bonus but part of the state base funding formula for postsecondary education

Excerpt - Southern Regional Education Board Policy Brief: *Essential Elements of State Policy for College Completion- Outcome-Based Funding* – September 2012

State Board of Education

DRAFT Policy Statement on Community College

Outcome-Based Funding

Oregon Community Colleges

The Governor's budget narrative, released on November 30, 2012 contained the following direction "...relevant boards/commissions ... directed to develop funding formulas for distribution of state support to the community colleges, Oregon University System institutions, and the OHSU that are outcome-based, including measure of progress and completion to replace those based solely on enrollment."

The Commissioner and the Community College Presidents Council have been working for some time to describe the parameters, the definitions and the transition timeline for consideration by the SBE of incorporating outcomes-based funding into the Community College Support Fund (CCSF).

Outcomes-based funding offers the State Board of Education (SBE) a fiscal tool to concentrate resources on state goals and to support community colleges in realigning and redirecting their efforts to achieve those goals. The key policy questions below, and initial responses, are offered to assist in a better understanding of the role of an outcome based funding approach:

- What are the specific goals and outcomes Oregon wants to achieve?
 - Advancement on the educational attainment goals of 40/40/20 and focusing efforts on increasing student retention and success.
- How can outcome-based funding help achieve those goals?
 - A value-added funding approach ensures that limited resources are invested in the results the state needs.
- How can existing funds be reallocated to reward institutions for gains on college completion measures?
 - Dedicating a portion of the Community College Support Fund to the accomplishment of specific momentum and milestone outcomes provides colleges with funding for both enrollment and value-added outcomes.
- What percentage of funds is needed to make significant progress on college completion goals?
 - The proportion of funds dedicated to outcomes is recommended to be aligned with overall CCSF funding – the higher the overall budget the more dedicated to outcomes.

- What are the specific momentum points and metrics to use in outcome based funding?
 - The momentum points are not new; those recommended are closely aligned (and defined) with community college student success measures that CCWD and the colleges have been collecting since 2008. Some of the measures are also in the current community college achievement compacts.
- How will outcomes-based funding be reported and monitored for effectiveness to ensure accountability?
 - CCWD will continue to be responsible for tracking and monitoring statewide outcomes and will report regularly to the State Board of Education.
- Which stakeholders are critical to achieve sustainability?
 - To date CCWD Commissioner and the Community College Presidents Council have been most closely involved in the development of the outcomes-based funding model. It is important to move to a broader stakeholder group to discuss issues of transition and implementation.

The Commissioner recommends the SBE move adoption of these draft policy parameters in June 2013 as a step toward incorporating outcomes-based funding elements into the CCSF.