



# State Funding Levers for Improving College Completion

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Presented to  
NCSL Institute for State Legislators  
Denver, Colorado  
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Bill Gates  
July 21, 2009 NCSL Meeting

Asked states to set goal to dramatically increase persons with postsecondary degrees



## Why is completing college important?

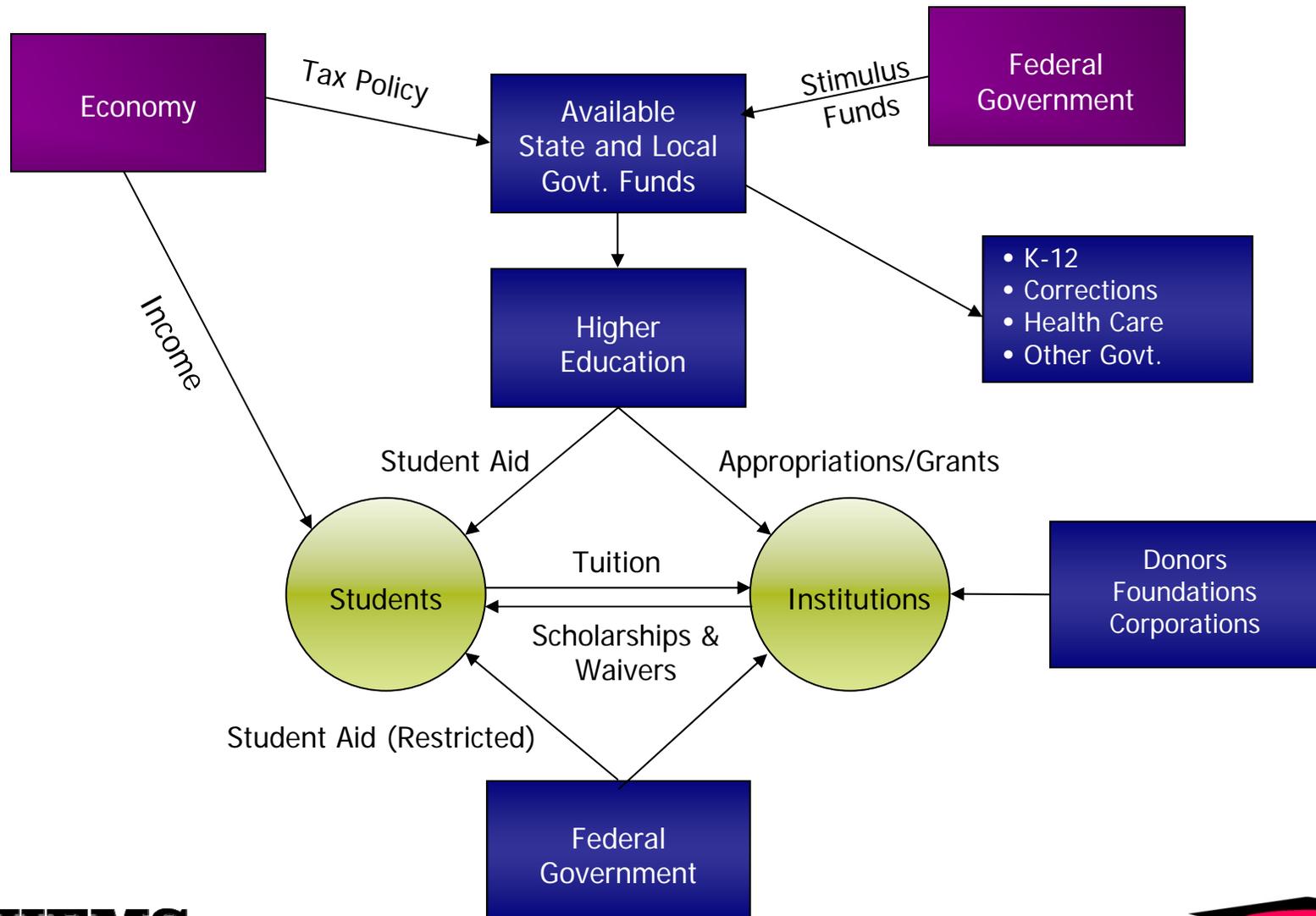
- Economy requires an educated workforce
- 75 million baby boomers moving on
- Global competition for educated workers
- Projected 15 million more postsecondary educated citizens needed in next 15 years in addition to current production



## Strategic Decision

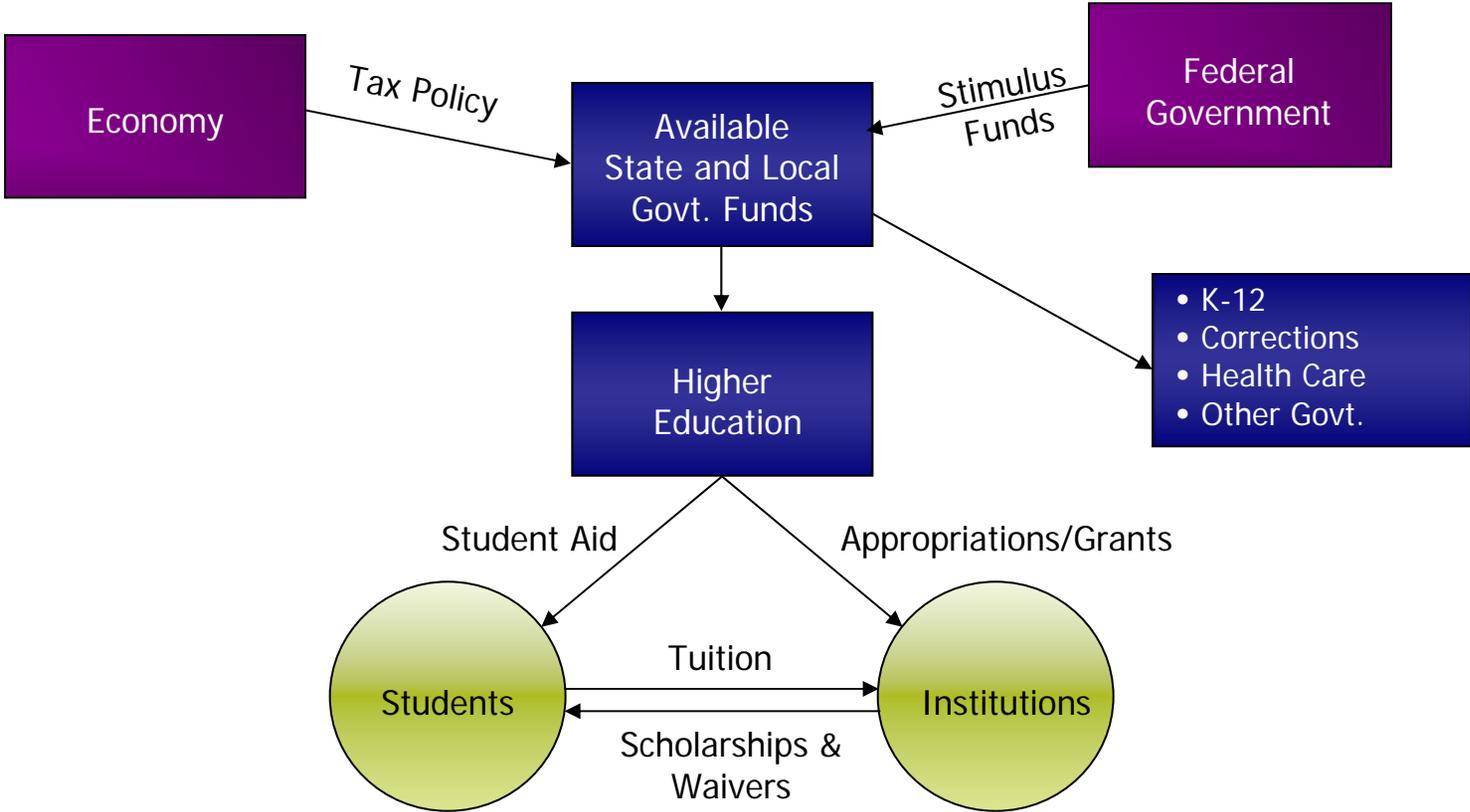
- Make strategic investments rather than one size fits all budgeting at both state and institution level

# The Flow of Funds





# The Flow of Funds - State





# Finance Policy – The Options

	Institution Focused	Student Focused
Core Capacity	<ul style="list-style-type: none"><li>• Base-Plus</li><li>• Formulas</li><li>• Investment Funds</li></ul>	Tuition & Aid Policy Focused on Revenue Generation
Capacity Utilization/ Public Agenda	Performance Funding	Tuition & Aid Policy Focused on Attainment of Specified Outcomes



## Key Points

- There are incentives imbedded in every approach to resource allocation
  - What are the incentives inherent in the methods you use?
  - Do those incentives promote the goods you are pursuing?
- To be effective, incentives included in each funding mechanism should be consistent
  - Are they mutually reinforcing? Or,
  - Are they in conflict?



# Building Incentives for College Completion Into Each Component of the Overall Funding Mechanism



# Base Funding for Institutions

- Typical incentives are for
  - Enrolling (not graduating) students
  - Acquiring assets (faculty, buildings) that require on-going support
- Most radical alternative
  - Pay a negotiated amount for each graduate
- The emerging trend
  - Using course completions (not enrollments) as the basis for resource allocations



# MHEC Report: Completion Based Funding for Higher Education, February 2009

- International Context
  - Several countries are linking funding of higher education to expected outcomes.
    - Australia
    - Canada
    - Czech Republic
    - Denmark
    - England
    - Finland
    - Netherlands
    - Spain
    - Sweden



# International Context Components

- Student satisfaction
- Employment
- Retention
- Progress rates
- Number of degrees awarded
- Number of credits obtained by students



## International Context Components

- Limit tuition charges if certain goals not achieved
- Combination of students enrolled and graduated
- Weighted funding based on time to degree



# National Context

- Some states implementing or considering:
  - Indiana
  - Louisiana
  - Ohio
  - Oklahoma
  - Tennessee
  - Texas
  - Washington
  - North Dakota



## National Context Components

- Degree completion
- On-time graduation
- Course completion in total
- Course completion by discipline or degree level
- Successful two-to-four-year transfer activity
- Mission consideration
- STEM completions



## National Context Components

- Retention or progress
- Limiting dropped courses
- Student achievement:
  - Passes a remedial math or English course with a qualifying grade to advance toward college-level work
  - Earns the first 15 college-level credits
  - Earns the first 30 college-level credits
  - Completes the first 5 college-level math credits
  - Earns a certificate backed by at least one year of college, earns a two-year degree or completes an apprenticeship



## Other Considerations

- Faculty compensation system
- Making college affordable incentives
- Administrative efficiencies and reduction of costs
- Overall reduction in cost per degree
- Incentives to graduate adults
- Collaboration among colleges
- Incentives for students who complete degrees early



## Other Considerations

- Reward departments that achieve “least cost” based on appropriate benchmarks
- Lower tuition at entry level
- Financial aid based on completion
- Financial aid based on targeted degrees
- Develop accountability measures focused on the funding results expected
- Finally, begin rewarding P-12 schools based on completion, since students who are successful in P-12 are more likely to be successful in college.



# Policies Regarding Tuition & Student Aid

- Current Practice
  - Policies are not well linked
  - Oriented to revenue generation
  - Concern with affordability – allowing needy students to meet the costs associated with the revenue generation strategy
  - Increased prices for contrary behaviors
    - Too many credits to a degree
    - PT enrollment
- Alternatives
  - Earn & Learn
  - A merit component to financial aid programs (Indiana 21<sup>st</sup> Century Scholars)



# Performance Funding for Students

- Predominant example is loan forgiveness
- Other possibilities
  - Payment for completion – especially accelerated completion



## Old Chinese Proverb

“If you don’t change your direction you may end up where  
you are headed” 😊