

# A National Perspective on Performance/Incentive Funding & Economic Opportunity Metrics



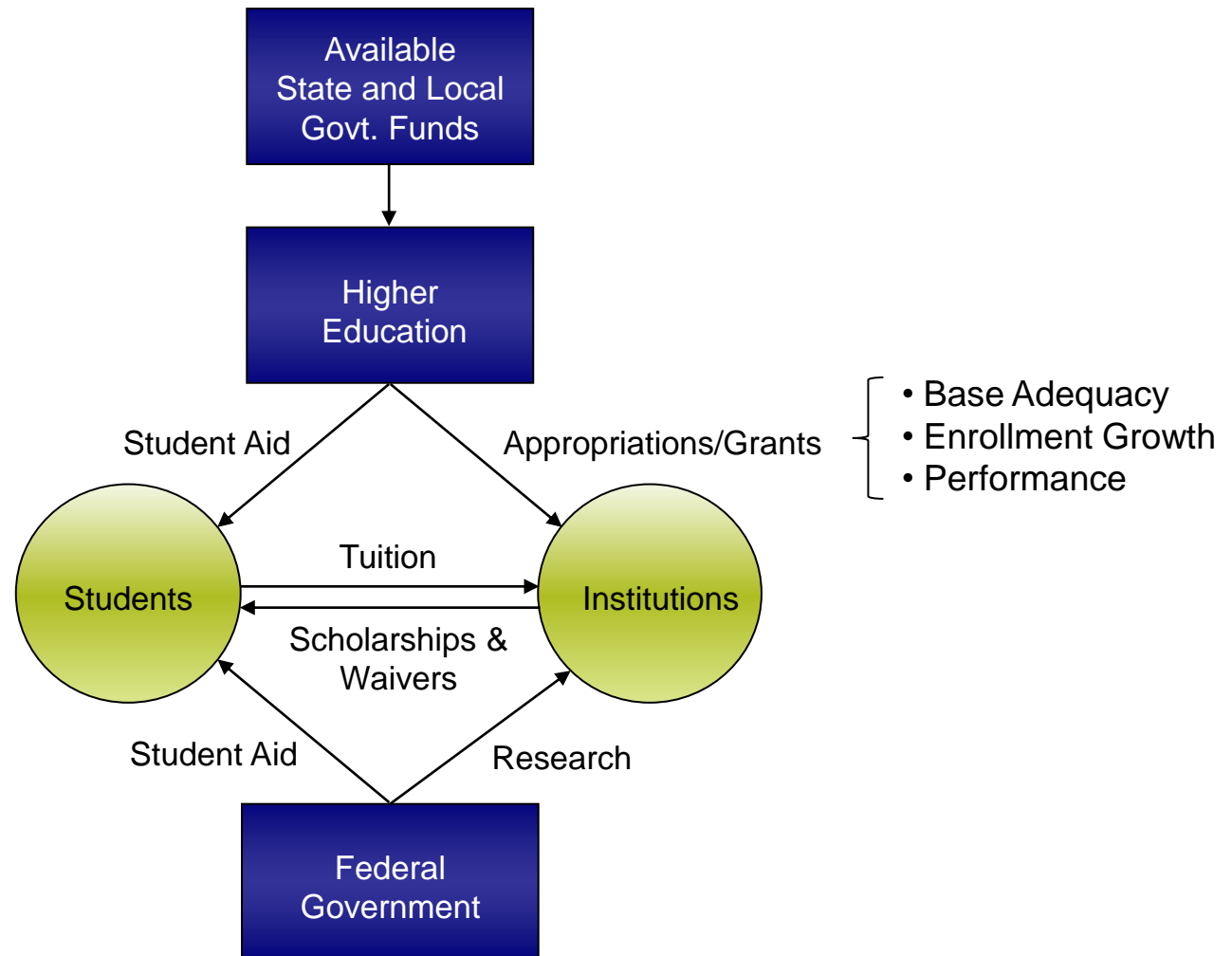
Virginia Higher Education Advisory Committee  
Richmond, VA  
July 21, 2011



**NCHEMS**

**National Center for Higher Education Management Systems**  
3035 Center Green Drive, Suite 150  
Boulder, Colorado 80301

# The Flow of Funds



# State Finance Policy – The Components

	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

# Emerging Best Practices in Incentive/Performance Funding

1. Metrics that drive funding tied to state goals. In Virginia
  - 100,000 more degrees
  - Increase STEM and high-demand degree production
  - Shorter time to degree
  - Reduced requirements for developmental ed
  - Increased R&D
  - Affordability
  - Economic impact & innovation
2. Different metrics employed for different types of institutions – metrics reinforce mission differentiation
  - Research universities
  - 4-year teaching institutions
  - Community colleges

(continued)

# Emerging Best Practices in Incentive/Performance Funding

3. A limited number of metrics
4. Use increases in numbers rather than rates in most cases
5. Provide encouragement for success with at-risk populations
6. Success incentives built into core institutional funding, not just in performance pool
7. Performance pool large enough to capture attention – 10 to 25%

# Emerging Best Practices in Incentive/Performance Funding

8. Build implementation strategies into the design
  - A phase-in provision
  - A stop-loss (but not hold-harmless) feature
  - Use in good times as well as bad

# Potential Metrics for Virginia

## State Level

1. College Attainment (Associate and Higher) of Adults Aged 25 to 64
2. Associate and Bachelor's Degree Production
3. All Credentials and Degrees Awarded in STEM Fields
4. All Credentials and Degrees Awarded in Health Fields
5. Percentage of College Graduates Employed in STEM Fields
6. State Personal Income per Capita
7. Competitive Research per Capita (from federal and Industry Sources)
8. Proportion of Recent High School Graduates Requiring Remediation upon Entry

# Potential Metrics for Virginia Sector Level – Research Sector

1. Total Undergraduate Degree Production (Associate and Bachelor's)
2. Degree Production in STEM and Health Fields
3. Credentials and Degrees Awarded per \$100,000 State, Local, Tuition, and Fee Revenues - Weighted by STEM and Health (for example the VA public research universities produce 1.98 degrees per \$100,000 in state, local, tuition and fee revenues)
4. Average Time and Credits to Earn Bachelor's Degree
5. Competitive Research Expenditures
6. Average Annual Loan Amount as a Percent of Median Family Income
7. Net Cost of Attendance as a Percent of Median Family Income
8. Public Resources (State, Local, Tuition and Fees) Needed Relative to Most Efficient Peer College or University at Same Level of Performance

# Potential Metrics for Virginia Sector Level – Bachelor's & Master's Sector

1. Total Undergraduate Degree Production (Associate and Bachelor's)
2. All Degree Production in STEM, Health, and Other High Demand Fields
3. Credentials and Degrees Awarded per \$100,000 State, Local, Tuition, and Fee Revenues - Weighted by STEM and Health (for example the VA public bachelor's and master's universities produce 2.02 degrees per \$100,000 in state, local, tuition and fee revenues)
4. Average Time and Credits to Earn Bachelor's Degree
5. Average Annual Loan Amount as a Percent of Median Family Income
6. Net Cost of Attendance as a Percent of Median Family Income
7. Public Resources (State, Local, Tuition and Fees) Needed Relative to Most Efficient Peer College or University at Same Level of Performance

# Potential Metrics for Virginia Sector Level – Community College Sector

1. Associate Degree Production
2. Credential and Degree Production in STEM, Health Fields, and Other High-Demand Fields
3. Credentials and Degrees Awarded per \$100,000 State, Local, Tuition, and Fee Revenues - Weighted by STEM and Health (for example the VA two-year colleges produce 1.73 degrees per \$100,000 in state, local, tuition and fee revenues)
4. Total Number of Transfers from Two- to Four-Year Institutions
5. Average Annual Loan Amount as a Percent of the Lowest Quartile of Family Income
6. Net Cost of Attendance as a Percent of the Lowest Quartile of Family Income
7. Public Resources (State, Local, Tuition and Fees) Needed Relative to Most Efficient Peer College or University at Same Level of Performance

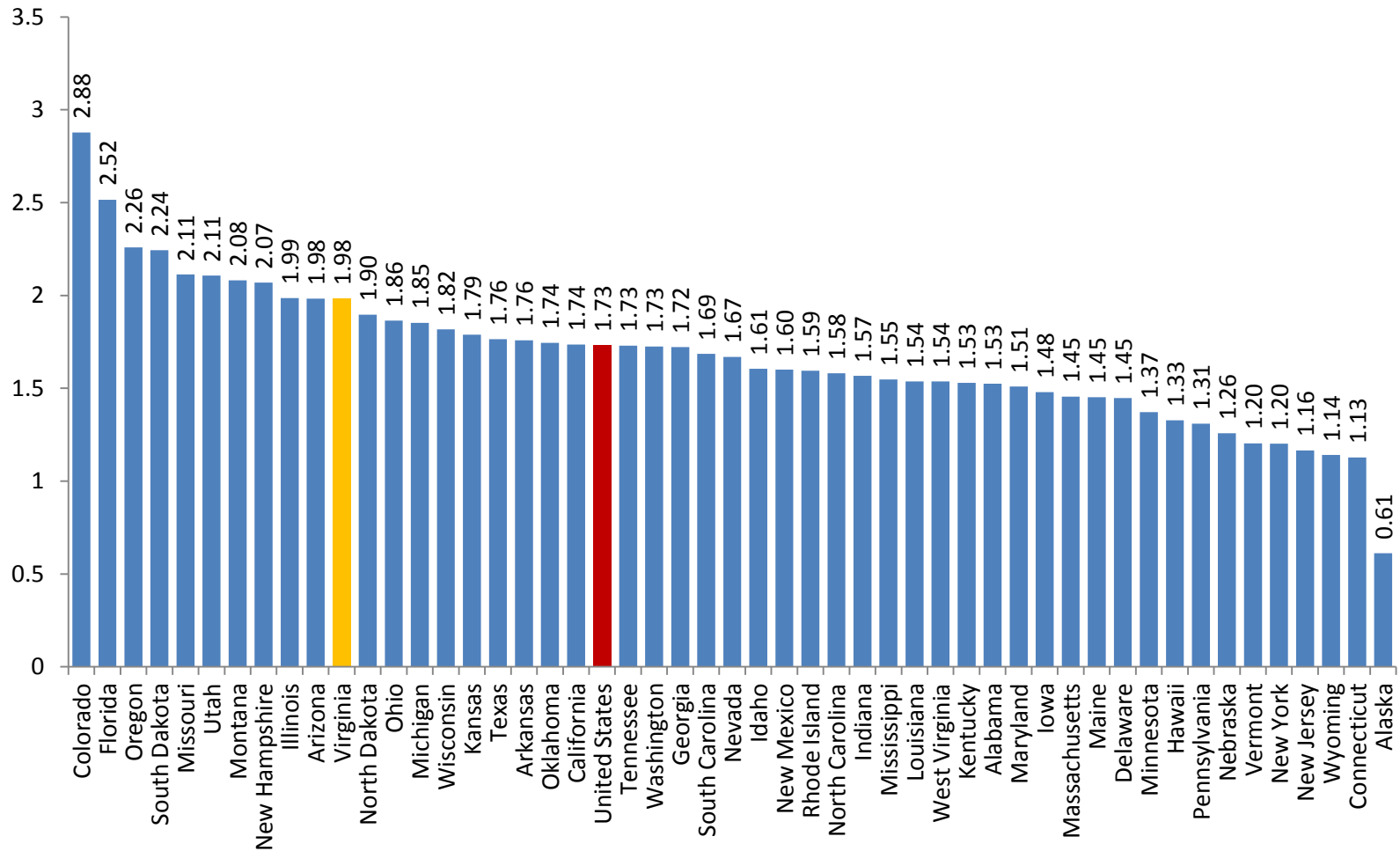
## Example: Degrees Weighted by Value to the State and Individuals - Median Earnings in the State Employment Market

Degree-Level	Median Earnings	Indexed to Bachelor's Degrees	Awards	Weighted Awards
Certificates STEM	56,970	1.16	90	105
Certificates Health	29,984	0.61	741	454
Certificates Other	27,985	0.57	1,206	689
Associates STEM	54,971	1.12	1,242	1,394
Associates Health	42,078	0.86	2,505	2,152
Associates Other	32,983	0.67	9,551	6,432
Bachelors STEM	74,961	1.53	5,839	8,937
Bachelors Health	47,076	0.96	2,040	1,961
Bachelors Other	48,975	1.00	23,090	23,090
Masters STEM	88,954	1.82	1,916	3,480
Masters Health	59,969	1.22	778	953
Masters Other	65,966	1.35	8,118	10,934
Doctorates STEM	99,948	2.04	545	1,112
Doctorates Health	93,951	1.92	145	278
Doctorates Other	84,956	1.73	709	1,230
First-Professionals STEM	84,956	1.73	0	0
First-Professionals Health	107,944	2.20	661	1,457
First-Professionals Other	97,949	2.00	829	1,658
<b>TOTAL</b>			<b>60,005</b>	<b>66,317</b>

**Total Public Revenues per Degree** = State, Local, Tuition and Fee Revenue / Weighted Awards

# Undergraduate Awards (One Year and More) per \$100,000 of State & Local Appropriations and Tuition & Fees Revenues - Public Research & Medical, 2008-09

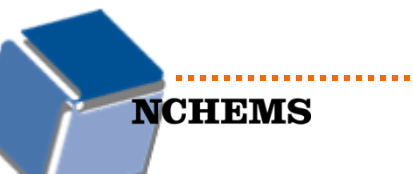
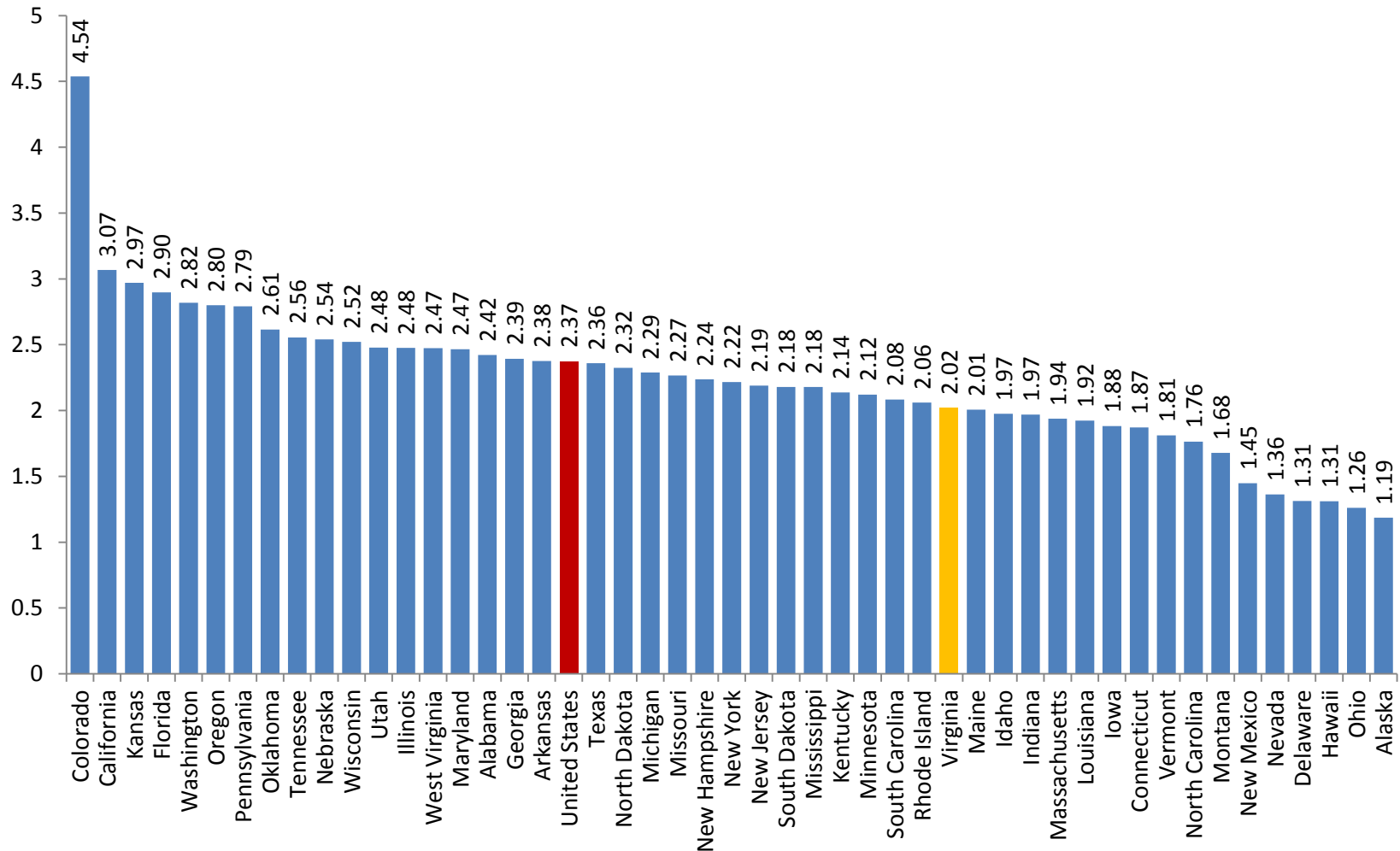
(Weighted by Median Earnings of Graduates - by Degree-Level and STEM and Health)



Sources: NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)

# Undergraduate Awards (One Year and More) per \$100,000 of State & Local Appropriations and Tuition & Fees Revenues - Public Masters, Bachelors, and Other 4-Year, 2008-09

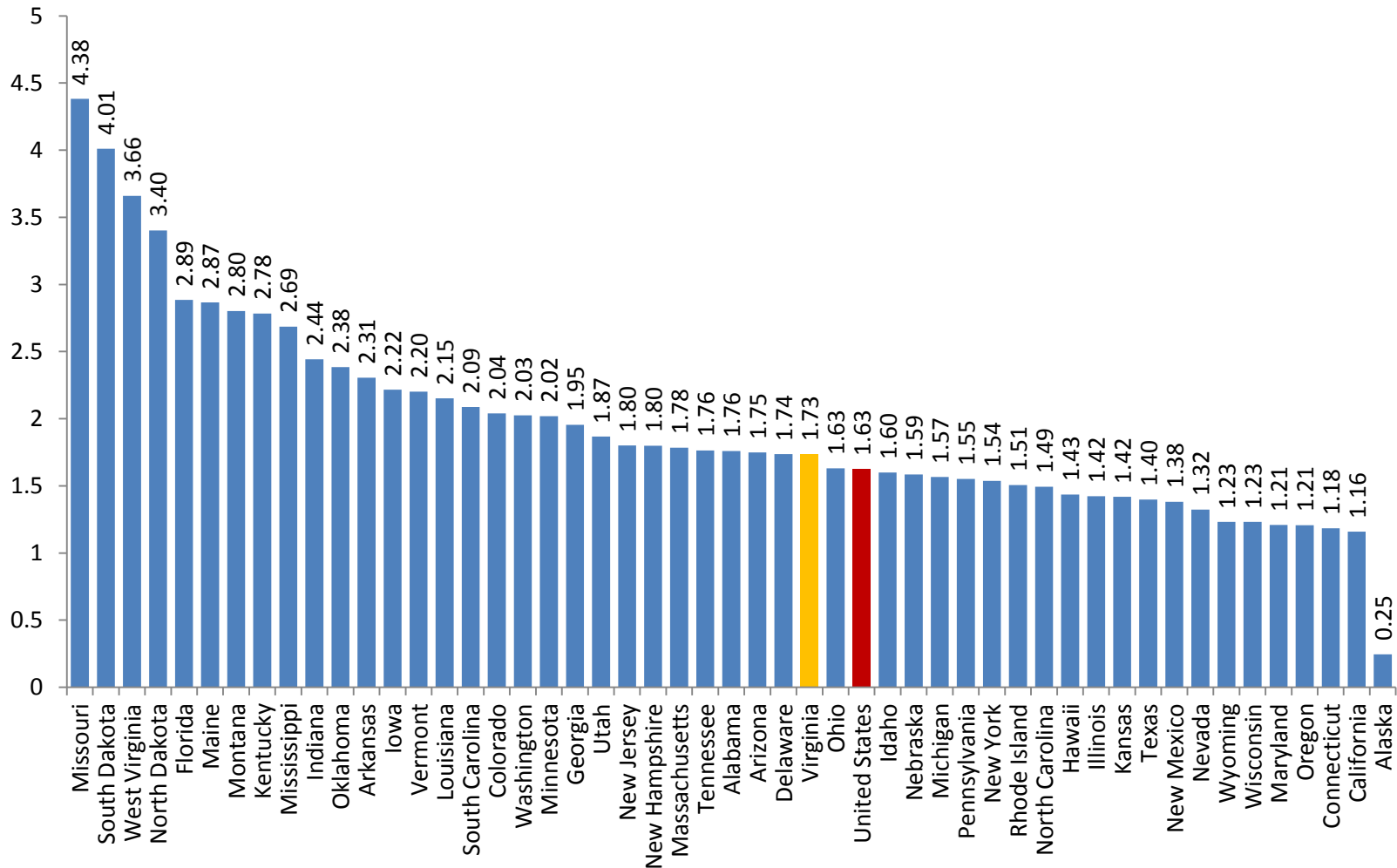
(Weighted by Median Earnings of Graduates - by Degree-Level and STEM and Health)



Sources: NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)

# Undergraduate Awards (One Year and More) per \$100,000 of State & Local Appropriations and Tuition & Fees Revenues - Public Associates & Other 2-Year, 2008-09

(Weighted by Median Earnings of Graduates - by Degree-Level and STEM and Health)



Sources: NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)

# Public Bachelors and Masters Institutions: Undergraduate Credentials per 100 FTE Undergraduates and Total Funding per FTE Student (2007-08)

