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New Book on State Higher Education Funding Cautions Tying Money to College Performance Could Have Unintended Consequences

Performance funding pushes colleges to reform programs, but studies have not found it clearly improves student outcomes

New York, NY, October 4, 2016 – A new book outlining the findings from the most extensive study to date of the implementation and impacts of performance funding finds that it has failed to consistently improve student achievement. Instead, this state policy response to low graduation rates may have the unintended consequence of creating an incentive to limit the enrollment of less prepared and less advantaged students, the very students policymakers are targeting with initiatives to improve college access and enhance local workforce training.

“Does performance funding actually work? The answer is both yes and no,” said Kevin Dougherty, the lead author of the book and a senior research associate at the Community College Research Center. “Before states adopt performance funding they need to think very carefully about how to design it to maximize its intended effects and minimize the negative side effects.”

The book, [*Performance Funding for Higher Education*](#), by Dougherty, Sosanya Jones, Hana Lahr, Rebecca Natow, Lara Pheatt, and Vikash Reddy, will be released October 4. It reports findings from a three-year study of performance funding in three leading states: Indiana, Ohio, and Tennessee.

Performance funding is state policy that ties state financial support of colleges and universities to institutional performance. More than 30 states have instituted some form of performance funding in higher education, and several more are considering proposals to do so. States have tied between 1 and 90 percent of state funding for public higher education to performance indicators such as the number of graduates and the retention of students from semester to semester.

Performance funding has been one response to concerns that more college graduates are needed to meet workforce needs in the coming decades and that too many colleges have unacceptably low graduation rates.

The book, drawing from studies by the [Community College Research Center](#) at Teachers College, Columbia University, is based on extensive interviews with state officials and staff at 18 public institutions. Major findings include:

- Performance funding led institutions to attempt to improve student graduation rates and other outcomes through reforms such as revamped remedial education and advising systems.
- It is difficult to gauge the role of performance funding in these changes, since it was only one of several state initiatives to improve student outcomes.
- States provided few resources to help colleges determine how to respond effectively to performance funding.
- Institutions face obstacles to responding to performance funding demands, including student populations that face academic, social, and economic hurdles to graduation; insufficient institutional resources; and inappropriate performance funding metrics.
- Studies have failed to consistently find that states with performance funding saw improvements in student outcomes.
- Performance funding provides an unintended incentive to weaken academic quality and to restrict the admission of less prepared and less advantaged students, who are less likely to finish college and thus less likely to pay off for institutions.

Kevin Dougherty, Hana Lahr, Rebecca Natow, and Vikash Reddy are researchers at the Community College Research Center, the nation's leading independent authority on public two-year colleges. Dougherty is also an associate professor at Teachers College. Lara Pheatt is a former researcher at CCRC. Sosanya Jones is an assistant professor at Southern Illinois University. *Performance Funding for Higher Education* is now available from [Johns Hopkins University Press](#).

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The **Community College Research Center** (CCRC), Teachers College, Columbia University, conducts research on the major issues affecting community colleges in the United States and contributes to the development of practice and policy that expands access to higher education and promotes success for all students.