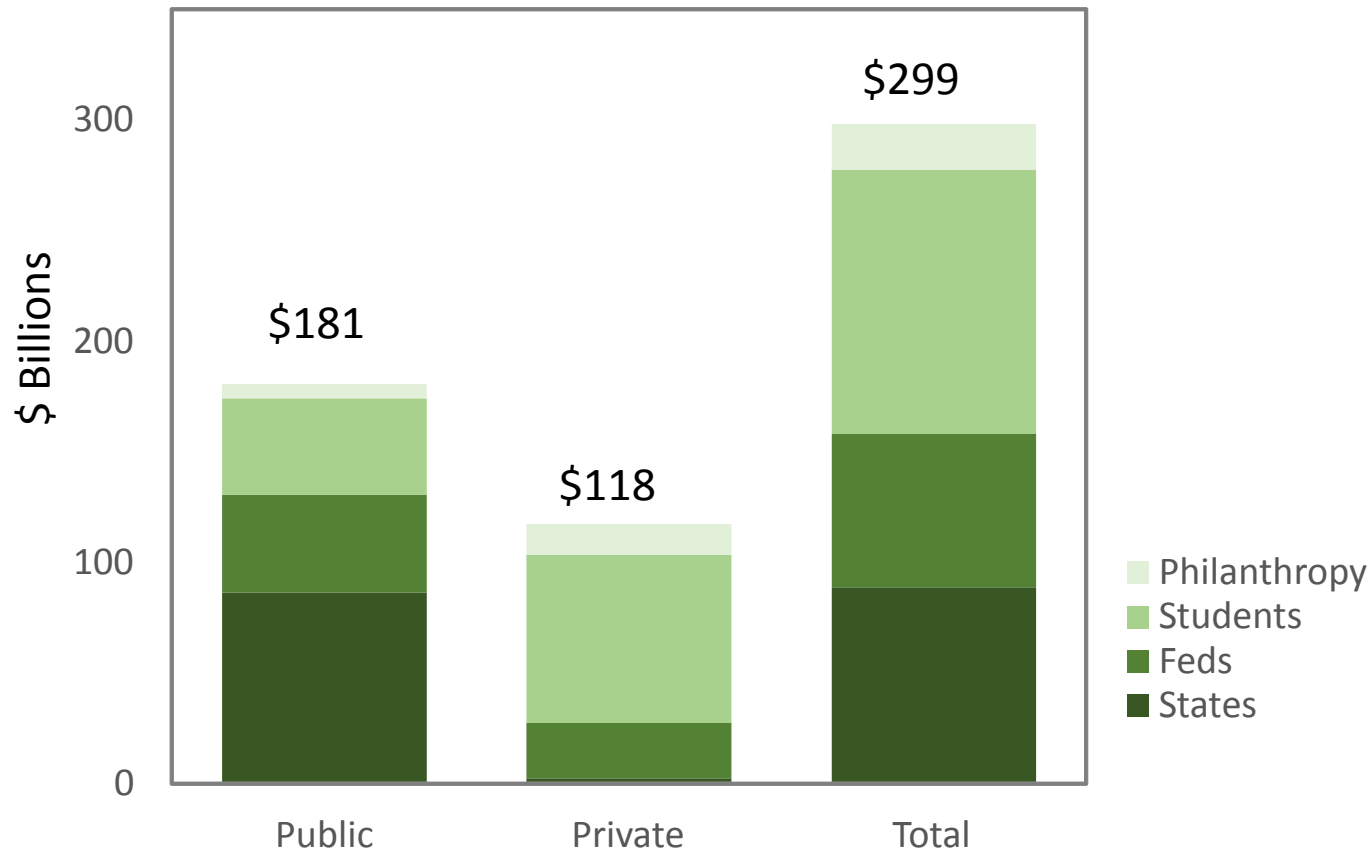


# Understanding federal and state government funding of postsecondary institutions

Nicholas Hillman  
University of Wisconsin-Madison  
Assistant Professor  
Educational Leadership & Policy Analysis

# Shared responsibility? Students, government, & philanthropy

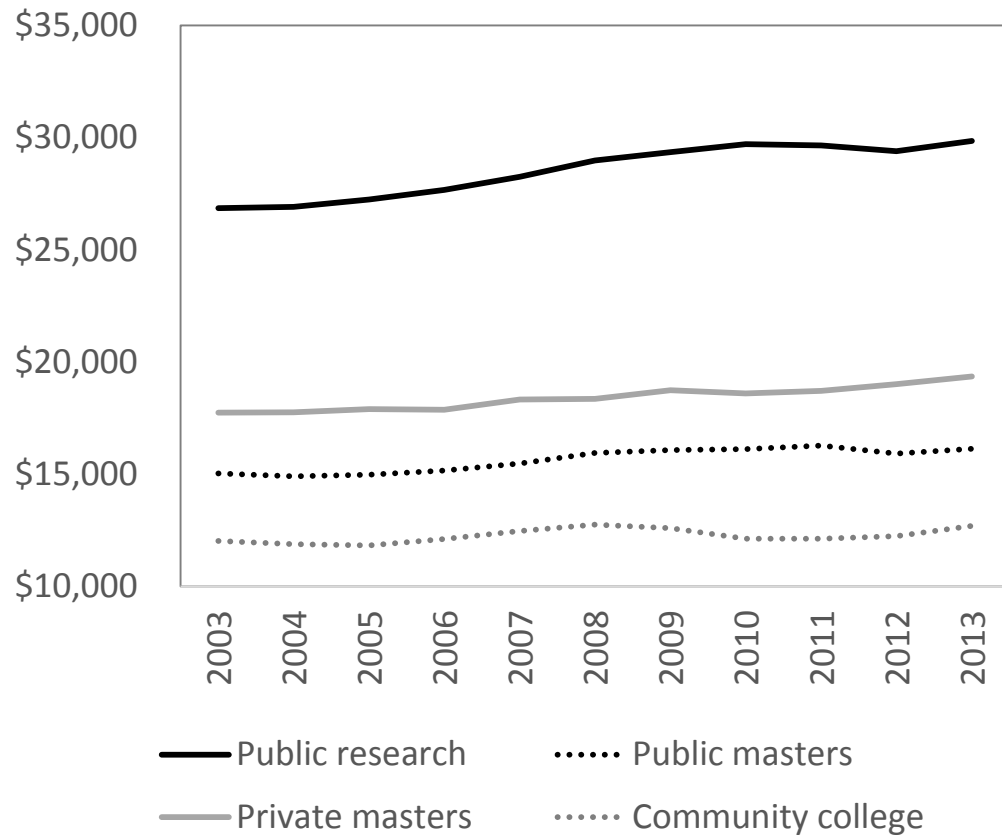


Author's calculations using SHEF, NSF, College Board, & Delta Cost data

- \$300+ billion enterprise
- 2% of US GDP
- This excludes:
  - tax benefits (\$18 b)
  - veterans benefits (\$15 b)
  - loans (\$96 b)
- ~19 million fall 2015 headcount
- Net tuition alone is \$120 b...  
or the size of Ukraine's GDP

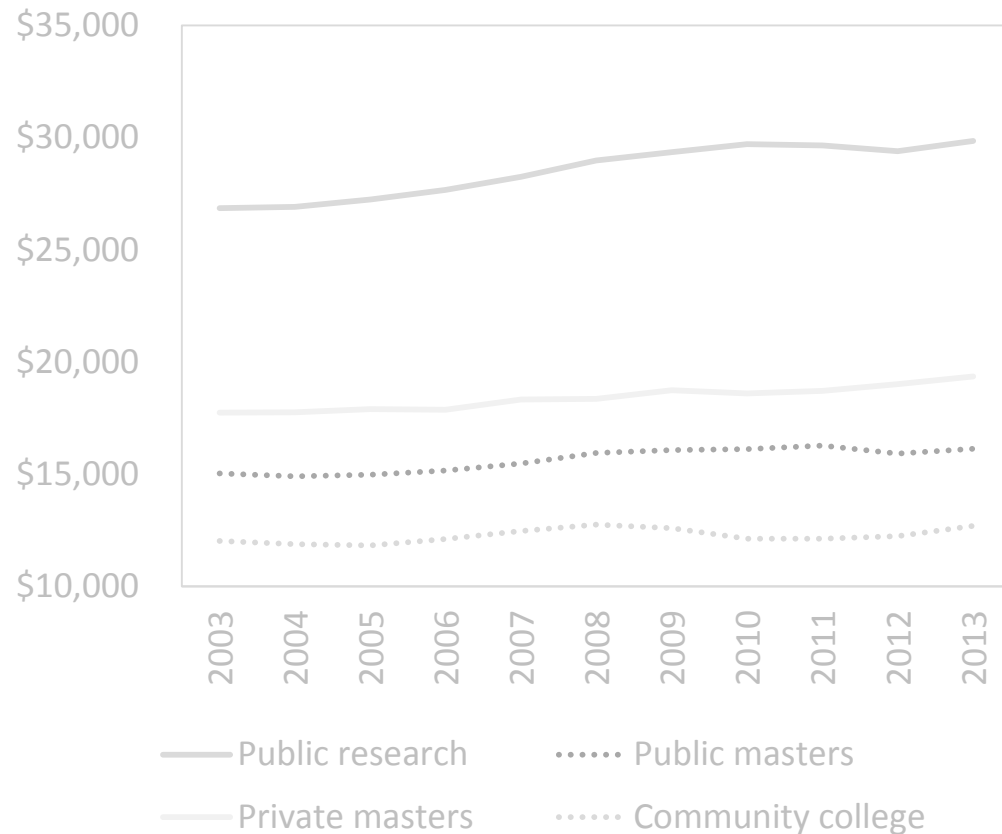
# Do we have a cost, subsidy, or price problem?

Costs rise very slowly...

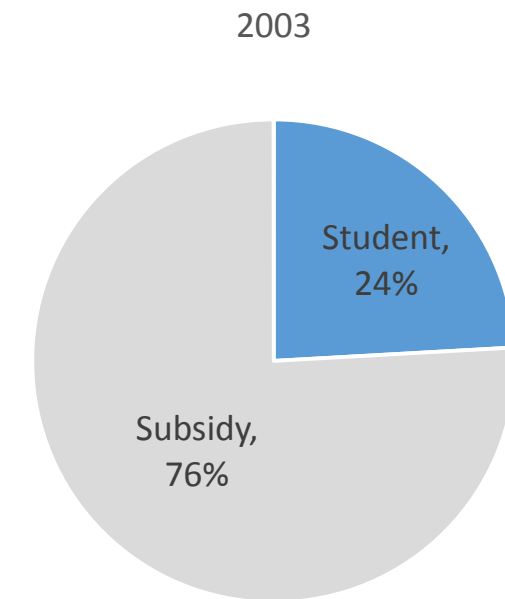


# Do we have a cost, subsidy, or price problem?

Costs rise very slowly...



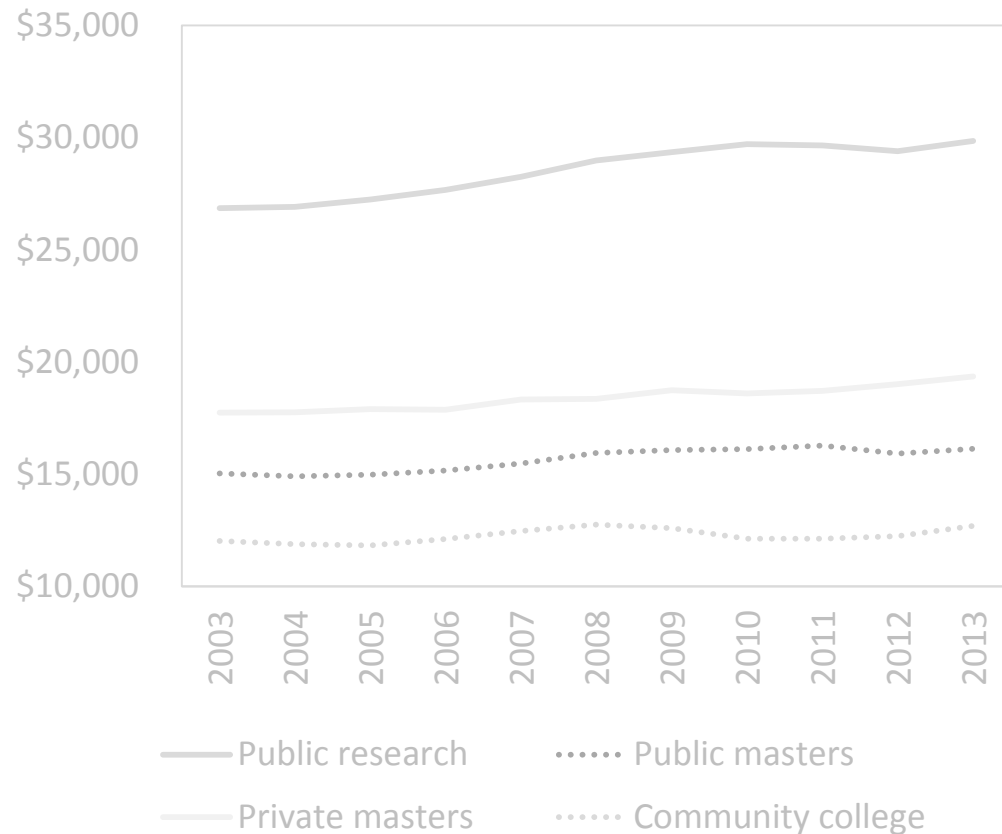
...students' share of them rises quickly



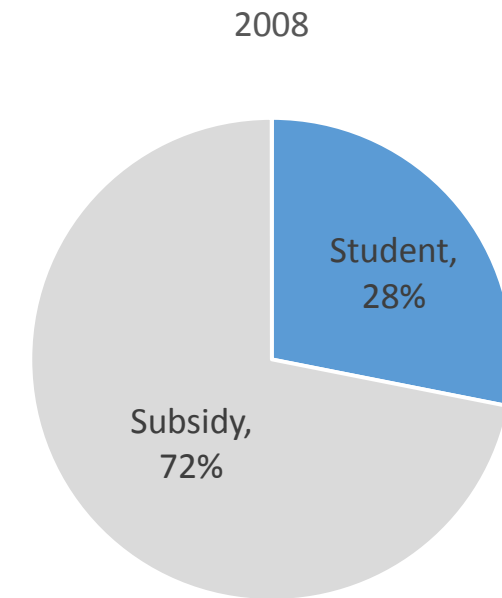
Tuition's share of E&G expenditures  
Public research universities  
(Delta Cost Project, 2016)

# Do we have a cost, subsidy, or price problem?

Costs rise very slowly...



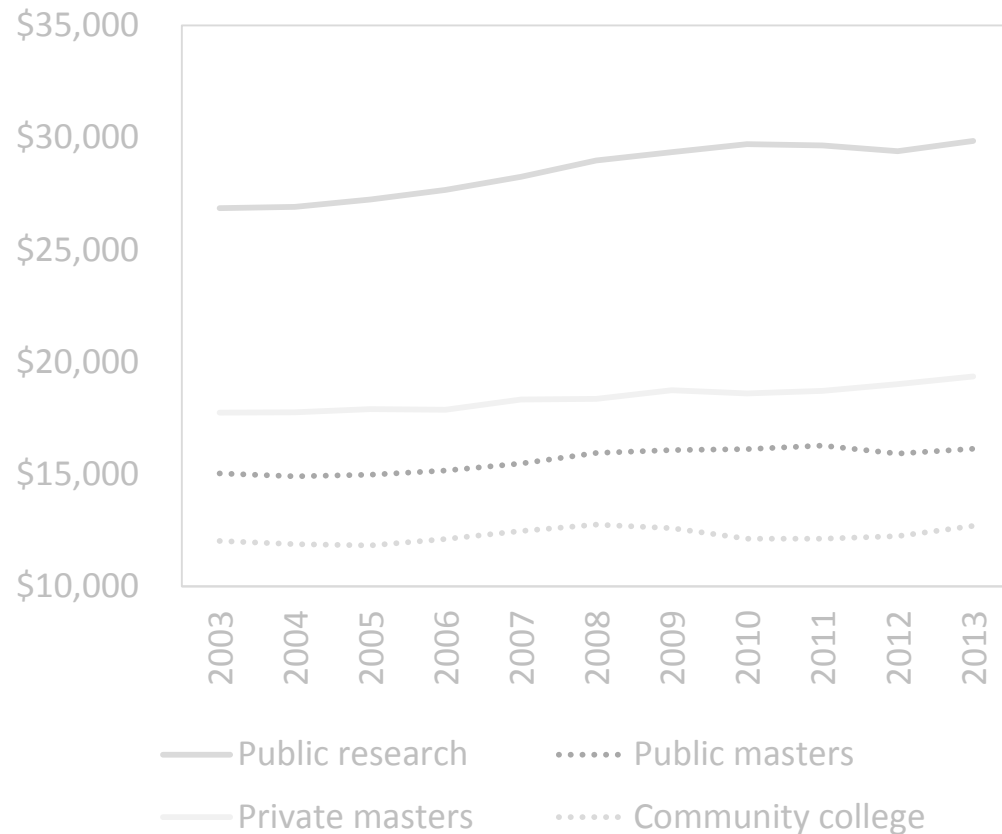
...students' share of them rises quickly



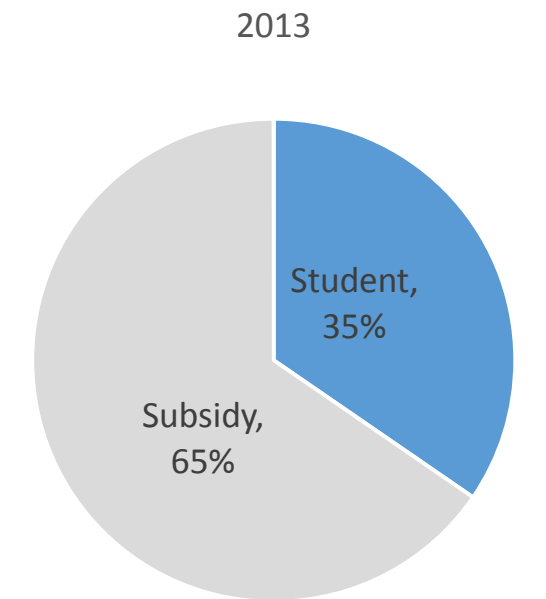
Tuition's share of E&G expenditures  
Public research universities  
(Delta Cost Project, 2016)

# Do we have a cost, subsidy, or price problem?

Costs rise very slowly...



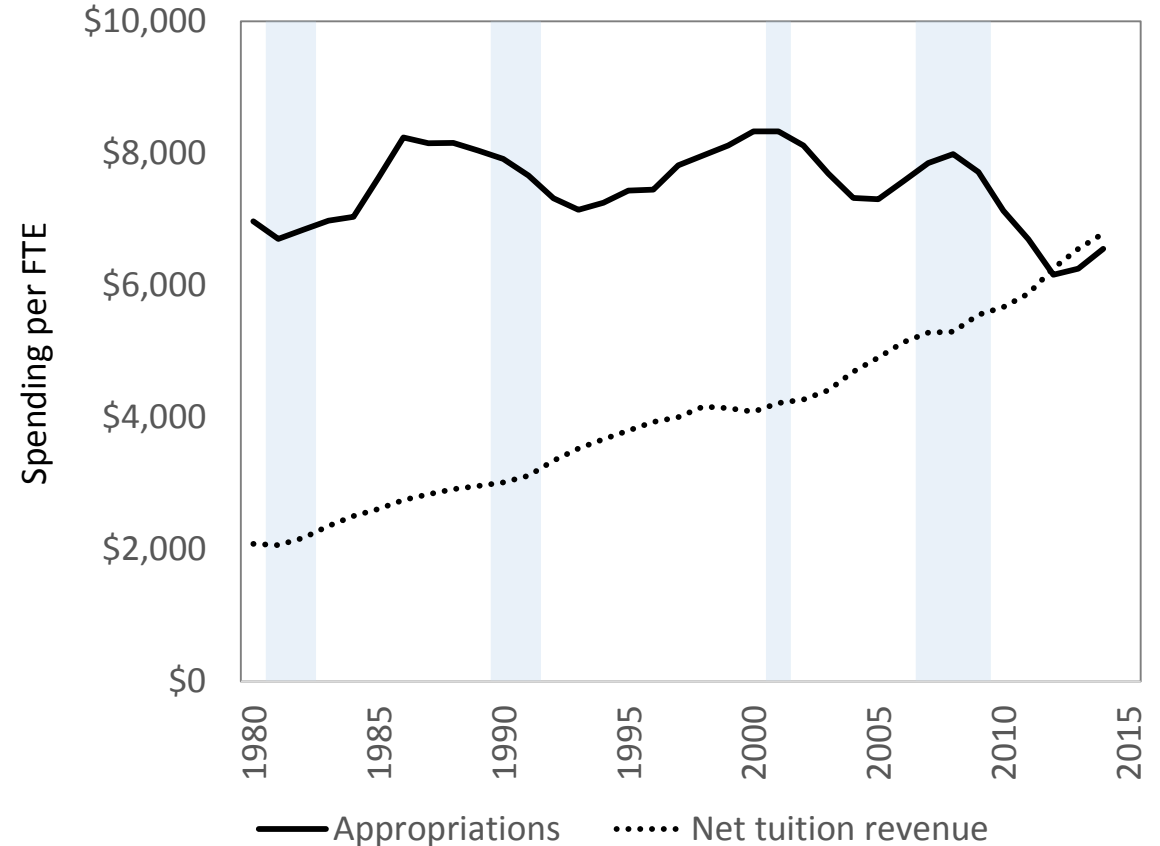
...students' share of them rises quickly



Tuition's share of E&G expenditures  
Public research universities  
(Delta Cost Project, 2016)

# Consequences of rising prices

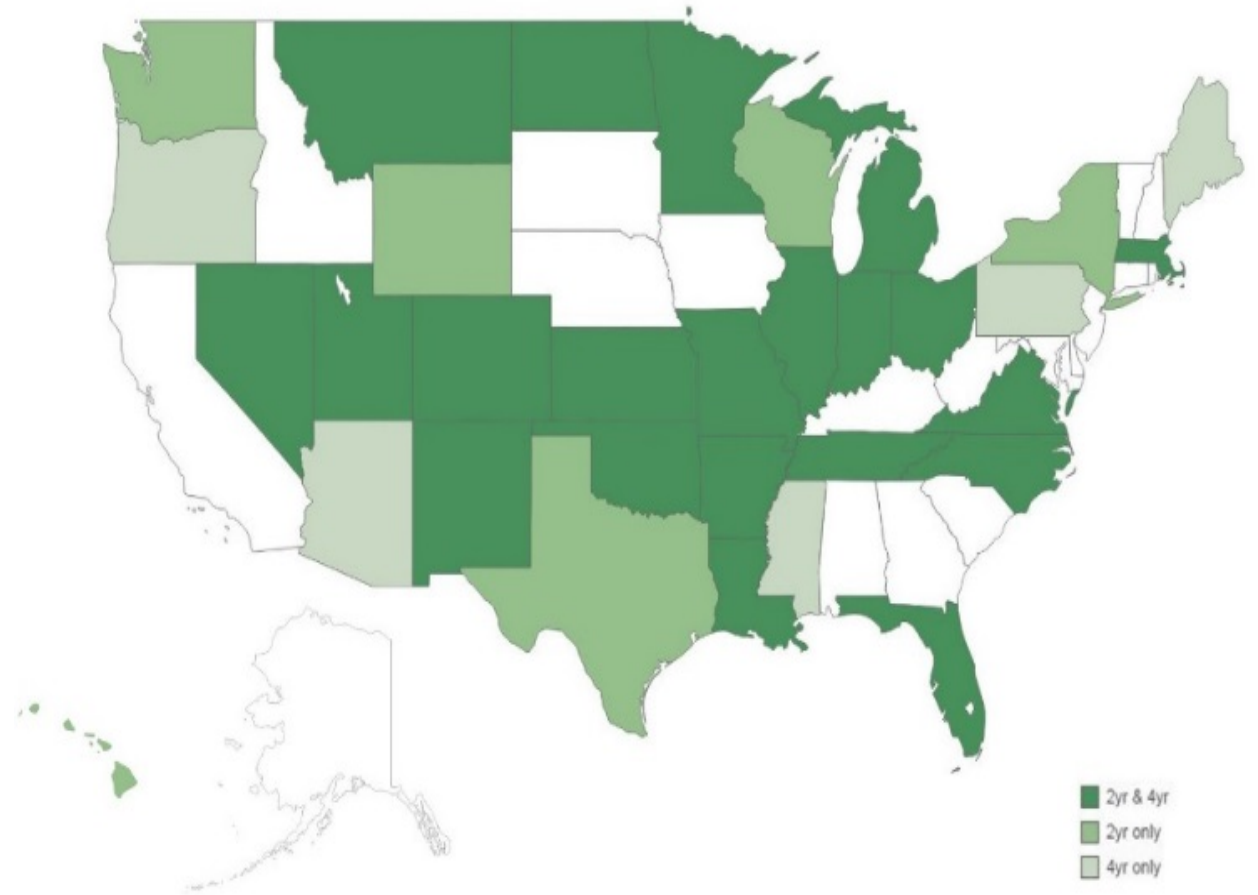
- State-level shift is well documented
- Campus-level shift is not
- What are the consequences?
  - More student loan debt
  - Longer time to degree
  - Pressure on aid programs
  - Alternative revenue generation
  - Wider resource inequity by campus
  - Greater push for “performance”



Source: author's calculations using SHEF data.

# Performance funding: state & federal policy

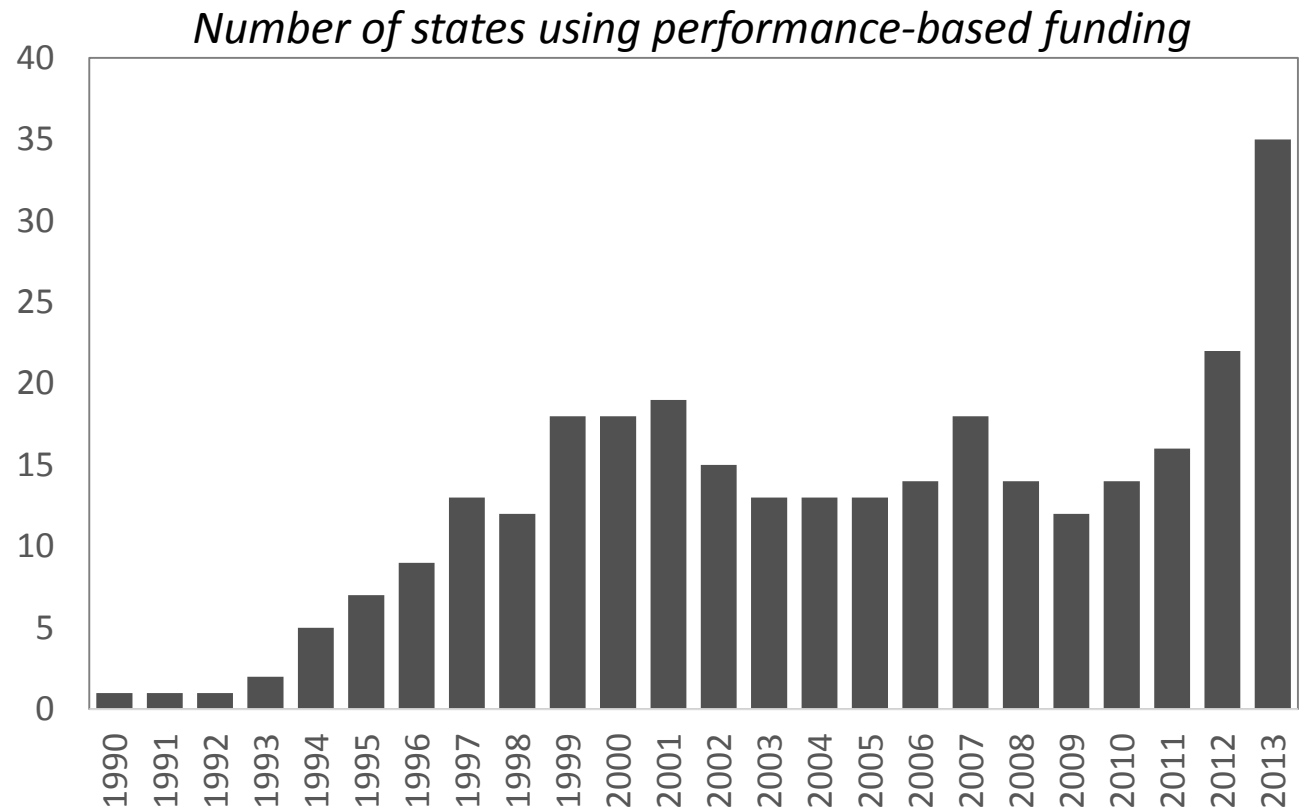
- 32 states now use it





# Performance funding: state & federal policy

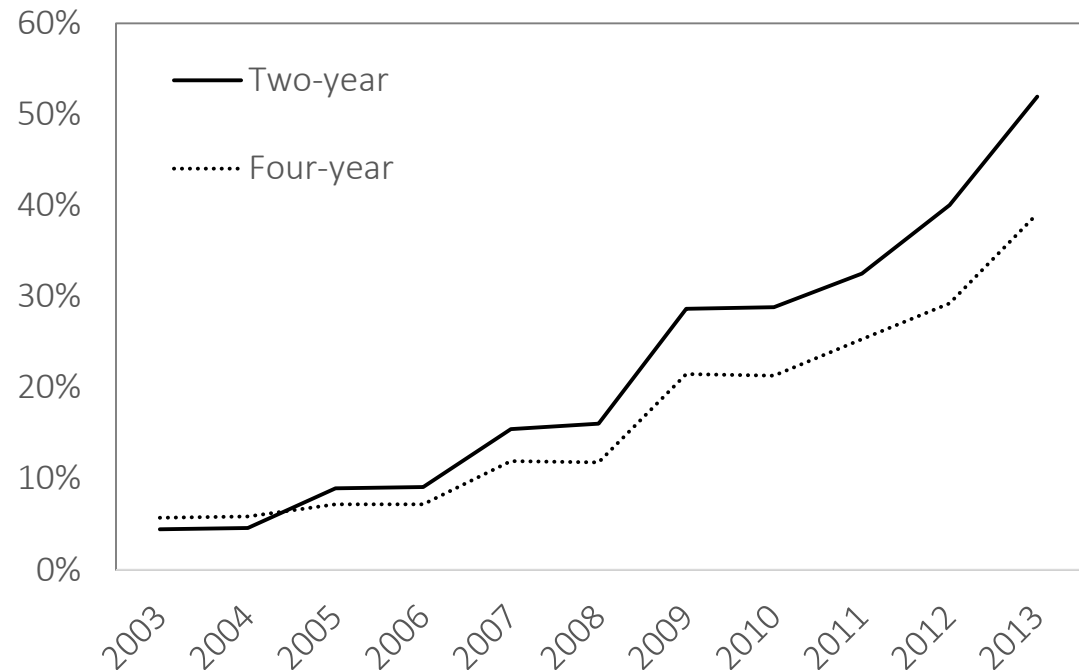
- 32 states now use it
- Renewed interest since '09



# Performance funding: state & federal policy

- 32 states now use it
- Renewed interest since '09
- Affects 52% of community college and 39% of public 4yr colleges
- What is “it” and how does it differ from the old?

Share of public colleges subject to PBF



# Performance funding: state & federal policy

- We see versions of PBF proposed or implemented at the federal level:

*America's College Promise – states must tie “significant amounts” to PBF*

*College Rating System – tie federal aid to college performance rating*

*Gainful Employment – low-performing programs leave students worse off*

*Cohort Default Rate – colleges with CDRs > 30% face possible sanctions*

*Risk Sharing – colleges pay back share of defaulted debt according to performance*

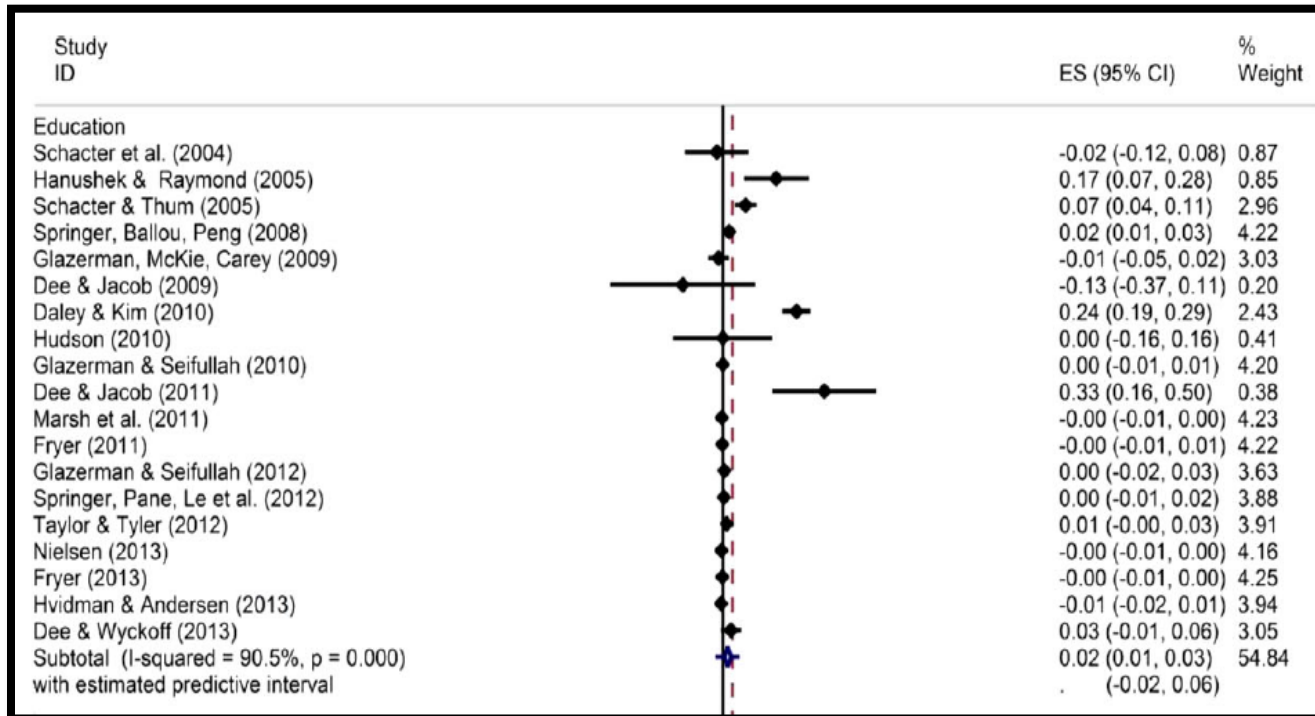
*Pell Grant – performance-based aid as incentive for students to persist*

# What have we learned from PBF research?

	<b>Authors</b>	<b>Outcome</b>	<b>Years studied</b>	<b>Effects on outcome</b>
<b>1</b>	Shin & Milton (2004)	Graduation rates	1997-01	Null
<b>2</b>	Volkwein & Tandberg (2008)	Accountability score	2000-06	Null
<b>3</b>	Shin (2009)	Graduation rates & research funds	1997-07	Null
<b>4</b>	Sanford & Hunter (2011)	Graduation & retention rates	1995-09	Null
<b>5</b>	Rabovsky (2012)	Revenues & expenditures	1998-09	Mix, mostly null
<b>6</b>	Radford & Rabovsky (2014)	Graduation rates & degrees	1993-10	Null, sometimes negative
<b>7</b>	Hillman, Tandberg, & Gross (2014)	Bachelor's degrees	1990-10	Null
<b>8</b>	Tandberg & Hillman (2014)	Bachelor's degrees	1990-10	Null, some + over time
<b>9</b>	Tandberg, Hillman & Barakat (2015)	Associate's degrees	1990-10	Mix, mostly negative
<b>10</b>	Hillman, Tandberg, & Fryar (2015)	Associate's degrees & certificates	2002-12	More short-term certificates
<b>11</b>	Umbricht, Fernandez, & Ortagus (2015)	Degrees, diversity, & admissions	2003-12	Null, more selective, less diverse

- Well documented literature
- Old and new models
- State-level & states case study
- Often null or negative effects
- Short-term certificate growth

# What have we learned from PBF research?



## Pay-for-performance works when:

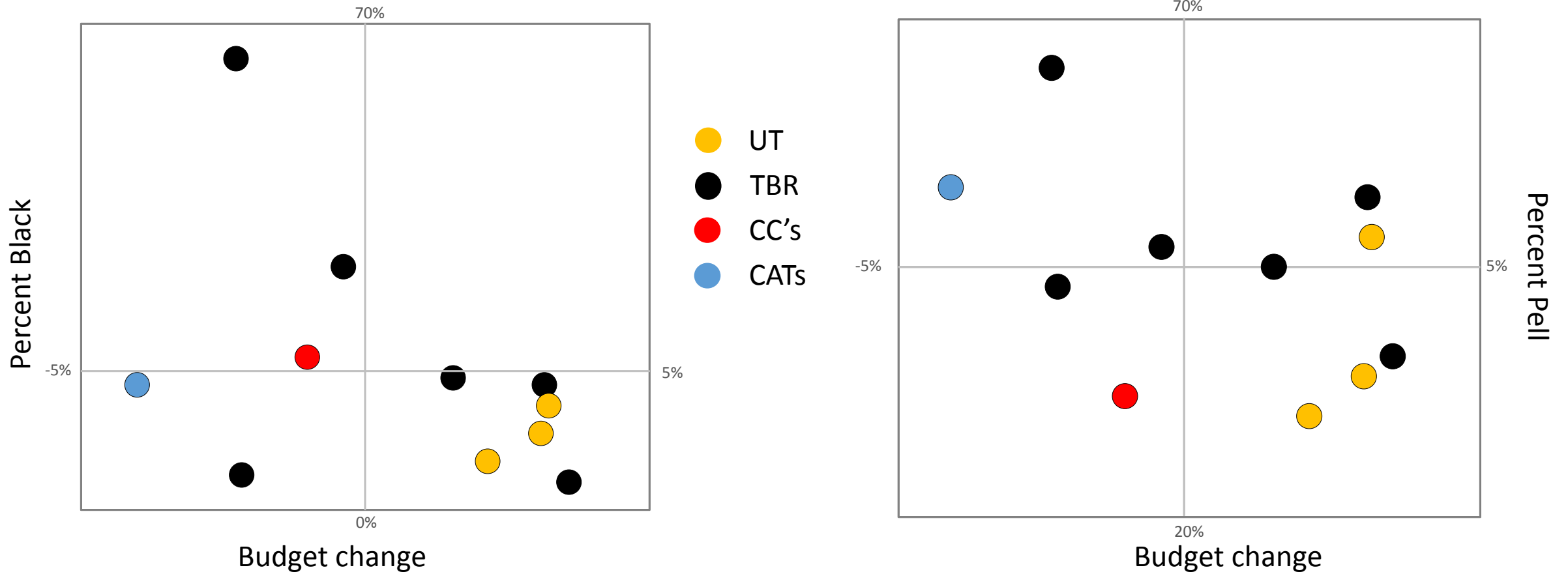
- tasks are simple/routine
- goals are measurable
- agents have capacity to respond
- agents would shirk w/o oversight
- organizations are not complex

## Research outside higher ed shows:

- little to no impact on outcomes
- short-term impacts don't stay
- high-performers do best
- crowd-out effects
- gaming persists

Source: Gerrish, E. (2015). The impact of performance management on performance in public organizations: a meta analysis. Public Administration Review.

# A quick look at the exemplar, Tennessee



# If it's here to stay, what's next

- Just like merit-based aid, PBF is merit aid to colleges
- It will trickle down to campus decision-making units
- What about need-based aid to colleges?
- Help build their capacity to “perform”
  - Technological infrastructure to serve students
  - Thorough evaluations of existing campus interventions
  - Improve student support services, professional development
  - Assist with debt management and repayment
  - Look to ASAP as an example

# Thank you!

Nick Hillman

Assistant Professor

Educational Leadership & Policy Analysis

University of Wisconsin-Madison

[nwhillman@wisc.edu](mailto:nwhillman@wisc.edu)