

Recommendation on Wisconsin's Outcomes-Based Funding Proposal
Prof. Nicholas Hillman
University of Wisconsin-Madison School of Education

On page 13 of the 5/23/2017 Legislative Fiscal Bureau budget summary (Paper #635), **I recommend the Joint Finance Committee endorse Alternative #7**, which states:

“Delete [Performance Criteria and Allocation] provision. Instead, define policy goals for the UW System and require either the Board of Regents or an independent task force to develop a performance-based funding model that is aligned with those goals. Potential goals would include: (a) increase access for resident students and low-income, transfer, adult, and underrepresented minority students; (b) increase student progress; (c) increase the number of degrees awarded; (d) increase the number of degrees awarded in high-demand fields; (e) increase the number of degrees awarded to low-income, transfer, adult, and underrepresented minority students; (f) improve post-graduate outcomes; and (g) increase institutional efficiency and effectiveness.”

This is not a wholesale endorsement of Alternative #7, as **I recommend striking “performance-based funding model” and inserting “incentive grant system”** that prioritizes campus-level capacity building and institutional improvement. This change is needed because the weight of evidence points against using performance-based (or outcomes-based) funding as a viable solution to the college completion problem.

Instead, building campus' capacity to improve outcomes is a first-order objective best done via incentive grants aimed at scaling-up promising programs and practices at under-resourced institutions. To improve educational outcomes, these campuses must have sufficient technical and human resources to assess and evaluate these efforts. Targeting subsidies in this way, rather than through a formula, would maximize the state and system's likelihood of improving college completion.

However, if the legislature proceeds with a different alternative, please consider the following evidence-based recommendations that I shared in my 4/13/2017 invited testimony for the Assembly Committee on Colleges and Universities. Please know I offer this frank feedback to be constructive and collaborative, where I would gladly serve as a sounding board and resource as these conversations move forward.

Do:

1. Clearly articulate the state's educational goals
2. Use incentive grants to build institutional capacity for reaching goals
3. Prioritize improvement and progress toward goals
4. Enlist an independent taskforce to recommend a funding model
5. Differentiate metrics by institutional mission
6. Use input-adjusted metrics when practicable
7. Reward campuses serving underrepresented student populations
8. Ensure data infrastructure is in place to verify, replicate, and share performance results
9. Build in leadership commitment and professional development to ensure full use of data
10. Expect PBF/OBF to create unintended consequences and negativity bias

Don't:

1. Rank institutions against one another or peer institutions
2. Use graduation rates or metrics that are easily gamed
3. Tie funds to indicators that are imperfectly or not already measured
4. Use indicators that work against other goals
5. Measure items not under the direct/unambiguous control of colleges
6. Apply a one-size-fits-all approach
7. Rush to implementation if the desire is to have longevity
8. Let the formula put the budget on auto-pilot
9. Underestimate the administrative burdens new formulas can create
10. Expect outcome-based funding to significantly improve educational outcomes