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ARTICLE: REWARDING OUTCOMES IN HIGHER EDUCATION

By Matt Freeman, Executive Director, Idaho State Board of Education

Incentives, when properly developed and implemented, can be powerful tools for driving behavior and performance. The Idaho State Board of Education believes the current enrollment-based funding formula for higher education should be re-focused to encourage our colleges and universities to work more closely with their students to help them graduate and to do it on time.

The Board is proposing an outcomes-based funding (OBF) model for higher education in Idaho. If approved by the governor and the legislature, it will mean a paradigm shift in how we fund our colleges and universities. “The Board’s goal isn’t to encourage institutions to compete against each other, rather, we want them to compete against themselves year-in and year-out,” State Board President Linda Clark said. “In years past, we have tended focus on enrollment, but a better way to measure success and provide funding is by the number of students who graduate each year either with a degree or a technical certificate.”

Outcomes-based funding is included in the list of recommendations made last year by Governor Otter’s Higher Education Task Force. A technical committee comprised of representatives from each of the institutions, the governor’s office, the legislature and the business community has spent much of the past year refining the model recommended by the Task Force. Their proposal is based on research and best practices (what is working in other states) with elements

designed specifically to address priorities in Idaho. For instance, “weights” are added to encourage institutions to graduate students in four particular fields: STEM (science, technology, engineering and math), health, business and education. The OBF model emphasizes these fields because that’s where job demand in Idaho is greatest. “Institutions will all receive credit for students who graduate with degrees in other fields but they will receive additional funding for the students they graduate in these particular fields,” State Board Chief Financial Officer Carson Howell said.

The model also has funding incentives for institutions to focus on students facing personal challenges, such as first-generation students or those who come from low-income backgrounds. The incentives also apply to students who are working adults returning to college to finish a degree or certificate. “We know that customized assistance and services to help students graduate is expensive. Some students need services that other students do not,” Howell said. “Outcomes-based funding is designed to help the institutions provide the necessary level of services to ensure that students complete college.”

The Board is requesting \$16 million to launch this new funding formula – roughly the same amount that the institutions have asked for in prior years’ budgets in “line-item” requests for enrollment changes and new programs and initiatives.

The \$16 million would be allocated as follows: \$11 million for Idaho’s four-year institutions; \$3 million for community colleges; and \$2 million for career technical programs. Each institution can use its share to come up with innovative ways to recruit students, keep them in school, and ensure that they graduate, hopefully on time. “If an institution’s graduation numbers increase next year, we’ll ask the legislature for more OBF funding for that institution for the following year,” Dr. Clark said. “If graduation numbers drop for an institution, then so would funding. Our institutions work hard to get students through to graduation and we believe that by providing funding incentives, the institutions will find new and innovative ways to make the process smoother and to address leaks in the pipeline to graduation.”

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