

Date: May 6, 2015

To: Chair Read and House Higher Education Committee Members

From: Ramin Farahmandpur

RE: Outcomes-based (or “performance-based”) funding in Higher Education

My name is Ramin Farahmandpur. I am a professor at Portland State University in the Postsecondary Adult and Continuing Education program in the department of Educational Leadership and Policy. I have published four books, one hundred essays, articles, book chapters, and Op-Eds in nine languages on different topics, including higher education policy and finance. I am here today to share my concerns with Oregon’s move toward outcomes-based funding for higher education.

Student enrollment has traditionally driven state support for public higher education. Now, however, a proposed new “outcomes-based” funding model aims to replace the old system.

One must ask whether the HECC’s decision to adopt a formula that pays universities and community colleges for the number of degrees it produces will actually improve the state’s college graduation rates.

HECC admits that outcomes-based funding will force Oregon’s seven public universities to compete with one another over limited resources. And, even though the commission acknowledges that this model is “suboptimal,” it plans to push forward with the proposal anyway.

The State Higher Education Executive Officers Association (SHEEO), which monitors higher education finance, reports that the surge of student enrollment in Oregon has outpaced state support.

Since the 2007 recession, full-time student enrollment increased by 27.7 percent while state and local support fell by 30 percent.

Among states, Oregon ranks 33rd in support for public higher education. The state allocates just 5 percent of its tax revenues and lottery profits to this sector, below the 5.8 percent national average.

Against this backdrop of underfunding, outcomes-based allocations force colleges to focus on quantity, not quality, of degrees awarded. Furthermore, a consequence of penalizing institutions for failing to meet unrealistic churn rates may be tempted to inflate grades to boost student degree attainment.

More important, outcomes-based funding doesn't account for the soaring college tuition that most students can't afford without relying on student loans. Nor does it acknowledge that a growing number are nontraditional and first-generation college students who must work full-time to support themselves and their families and who require the institution to expend more resources to provide supports.

Because outcomes-based funding doesn't come with an increase in state support for higher education, disadvantaged and underrepresented students will suffer the most.

If colleges fail to meet projected graduation rates, programs may be cut, courses may be canceled and instructors may be dismissed.

For students, it means they will have fewer courses to choose from, fewer academic advisers to guide them and fewer resources and services to help them succeed. In the long run, this downward spiral may impede degree-attainment, not promote it.

A recent study by Tandberg and Hillman (2013) concludes "on average, performance funding programs had little impact on college completions".

Many states have experimented with this concept over the past two decades. In my review of the research literature, I have found scant evidence to suggest that these performance-based funding plans have achieved their objectives. Oregon should learn from the mistakes of others. Simply put, outcomes funding does not serve our students well. Instead, this state should solve the real problem with higher education: reverse the chronic underfunding of the system that has made the attainment of post-secondary education so challenging for an increasing percentage of our population.

Thank you for your time; I'd be happy to answer any questions.