

Performance Funding for Higher Education: The Hidden Costs and Consequences

The Politics of Performance Funding for Higher Education: Origins, Discontinuations, and Transformations

by Kevin J. Dougherty and Rebecca S. Natow

JOHNS HOPKINS UNIVERSITY PRESS, 2015

REVIEWED BY: THOMAS AUXTER

In 2014, a new wave of performance-based funding for higher education swept through state legislatures. The effects were far-reaching, and much more serious than anything faculty had experienced at the hands of governors and legislators in the two previous waves of performance funding.

The most striking difference in the new state laws is the punitive element. Now, when universities and colleges deviate from the quantitative goals set uniformly by legislators, regardless of individual missions, regions, or constituencies served, state funding is cut. The new legislation threatens to defund much of public higher education. It also threatens to racially resegment systems, especially university systems.¹

Make no mistake. This is a shell game constructed by state legislators who aim to move taxpayer money around and around, and finally siphon it off from higher education.

Thomas Auxter served as statewide president of United Faculty of Florida, an NEA-AFT affiliate, representing 23,000 faculty and graduate assistants at 11 public universities, eight public colleges, and one independent university, from 2001 to 2015. He has been a philosophy professor at the University of Florida since 1973 and is the author of Kant's Moral Teleology, as well as more than two dozen articles in ethics, the history of philosophy, and the philosophy of culture.

The extreme effects of this latest scheme for “reforming” higher education are easier to evaluate if we begin by looking at the original goals of legislators and other politically influential actors who moved us to performance funding. This perspective is what Kevin Dougherty and Rebecca Natow offer in *The Politics of Performance Funding for Higher Education: Origins, Discontinuations, and Transformations*.²

THE FIRST TWO WAVES

Dougherty and Natow describe and analyze the history of the two waves of performance funding that first emerged in the 1990s and then again in the wake of the Great Recession (2007-08). They also offer a quantitative analysis of trends (with charts and annual statistics) in eight representative states, which helps to correct the record of what actually has been achieved.³

When the first wave occurred, Reagan’s “New Federalism” had devolved the funding of many important federal programs onto states, causing significant state budget shortfalls. At a time of imposed austerity, exacerbated by an economic downturn, higher education seemed like a “luxury” compared with mandated state responsibilities, such as K–12 schools, law enforcement, prisons, and Medicaid.

But there is more to this story than just assessing competing demands for limited funds. Dougherty and Natow describe “the rise of a neoliberal discourse that emphasized the inadequacies of government and the importance of introducing business-like structures and methods and market-like processes into public administration.”⁴ These market-driven methods and processes are supposed to introduce efficiency into government, diverting funds to meet other urgent needs, or to save taxpayers’ money, by taking funds otherwise “wasted” in higher education.

Legislators were initially reluctant to introduce or enforce tough measures. They set quantitative targets based on goals that institutions had already identified for themselves, such as graduation rates or access to programs. They preferred to see each institution compete against its own record to serve more students successfully.

The reward was usually a “bonus” on top of regular funding levels. While this seems innocent enough, the camel’s nose is already under the tent.

The Great Recession sets the stage for the second wave of performance funding. As state economies falter and nearly collapse, we find conservative state legislators joined by some increasingly influential policy-oriented organizations, such as the Gates and Lumina Foundations, calling for tougher enforcement of performance funding. Soon, governors and state university governing boards jumped onto the bandwagon.

Legislatures responded by requiring uniform indicators to measure every institution. These indicators, such as rates of academic progress and graduation, were built into the base funding of institutions. With that, failure to make progress means institutions can actually lose the money that funds their regular operation. The consequence is no longer merely the loss of a bonus.

This prepares the way for the era of increasingly severe punishment, with the screws tightening each time conservative legislators reach for their stock in trade: slightly reducing taxes on citizens while passing along large tax breaks to special interests. With these objectives in mind, we already have the rationale for entering the third wave.

Dougherty and Natow interview “over 200 political actors” who were on the scene in eight states at the time of pivotal events. These actors include state and local higher education officials, state legislative representatives and staff, governors and their advisors, business community members, as well as academics and consultants. Their testimony reveals early warning signs of what was to come. They lay bare the goals and motives of policy makers on both sides of the issue. This, in turn, makes it much easier to evaluate what has been at stake in the struggle all along.

Some predicted disastrous consequences for higher education. In Florida these actors clearly believed that performance funding would lead to reductions in funding, loss of university autonomy, and a racially exclusive system.

For several reasons, Florida, where I have served as president of the statewide faculty union, was first to set a policy that is both the most radical in the nation and the most closely watched by other states who would seek to imitate it. What did Florida officials say, as the first wave was ready to begin?

A board of regents official notes that the board was not looking forward to performance-based funding at that time. “The universities saw it as punitive in nature and as a mechanism whereby there would be excuses to take funding away rather than having funding added.”⁵

Moreover, erasing institutional missions from all significant evaluations was seen as a way to enforce conformity. There was strong suspicion that the state’s refusal to recognize institutional missions would establish a one-size-fits-all system of performance indicators that would harm and eventually eliminate distinctive programs—along with the promising students in those programs.

A university official who often advocated for Florida A&M University (FAMU), the only historically black college and university (HBCU) in the state university system, summed up his reservations about the emerging situation, arguing to the authors that measurements cannot be “accurate” if they exclude mission. How can numbers be meaningful without recognizing that FAMU is an HBCU?

“I felt that the value added to a student who entered as a freshman and graduated with a bachelor’s degree was a hell of a lot more than at the University of Florida.... These performance schemes did not take that into [account]. I mean, they thought you knew there was this level playing field out there, and everybody started from the same spot.”⁶

THE THIRD WAVE

As the third wave breaks, these predictions have been confirmed.⁷

In 2014, at the bidding of Governor Rick Scott and his appointees to the university system’s Board of Governors, the Florida Legislature established perfor-

mance funding for all public universities. They claimed their radical agenda would increase quality and accountability.

The United Faculty of Florida (UFF) legislative action teams in each city pushed back and won enough support from faculty-friendly legislators in both parties to get modifications of some of the most draconian measures. However, after two years of implementation, it is clear the policy is certainly not about quality, or even about accountability. It is political gamesmanship.

This shell game shifts the state's money from some universities to others: giving meager increases to three winners, less to five others, and seriously destructive cuts to three losers. In 2014-15 its proponents dangled \$100 million of "new" funding of front of universities. In 2015-16, the "new" funds are \$150 million.

The bait is hardly impressive. A one-time bonus for "extras" does nothing to cover expenses in the \$4.5 billion state university system. With flat legislative funding for the last three years, universities need much more than this.

The other category of "new" money is redistribution. In 2015-16, \$250 million will be subtracted from some university budgets, "the losers," and shifted to others, "the winners," following the annual performance evaluations. This amount will grow exponentially every year. The goal is to shift substantial amounts of money out of the university system while appearing to provide "new" extra funds to some universities.

The governor's game is to disinvest while appearing to increase investment. He proclaims how beneficial the extra funding is. He needs to convince everyone this has happened although the highly-touted "increases" fail to cover even basic increases in universities' operations costs. Adding the burgeoning costs in administrative bloat for implementing a new do-or-die performance system could mean encouraging universities to decrease faculty costs and compromise instruction for students.

INDICATORS OF "EXCELLENCE"

Are the 10 indicators of "excellence" used in the performance system impartial in their effects? Will all universities be treated equally with all the metrics? Or can some metrics skew the results so as to in effect create winners and losers?

One indicator is chosen each year by the state board of governors. Because the board is hardly politically neutral, the choice they make could depend on how much public uproar they might have to endure. Another indicator is chosen annually by each university's board of trustees. Here institutional loyalty trumps the "tough love" ideology that comes with the political appointment. One other indicator is seemingly impartial, e.g., the percent of undergraduates with a Pell Grant.

However, even these "impartial" metrics cannot outweigh the other indicators designed to identify losers. For example, six-year graduation rate, academic progress rate, and average cost per undergraduate degree will predictably push FAMU into the bottom category.

To be sure, FAMU is not on a level playing field. Its students from Florida are mostly drawn from urban high schools and poor communities where achievement gaps have been persistent. FAMU's students also are often the first in their families to go to college. How can this not affect readiness for college?

Once on campus, many FAMU students struggle to overcome deficiencies resulting from a history of institutionalized racism at the same time as they struggle to do well in college. How can this not affect the academic progress rate?

Meanwhile, FAMU students cannot always afford to pay tuition and expenses—not without taking off semesters, or even years, to work and save. How can this not affect FAMU's six-year graduation rate?

All things considered, it is an extraordinary achievement for many FAMU students to graduate with a bachelor's degree. Ignoring the mission of FAMU and dismissing the excellence of the institution are built into a performance system that cannot recognize these circumstances and challenges.

There is no sign that the governor or his political allies in the Legislature are troubled by these racially-exclusive results. For that matter, they also seem willing to live with attacks on other forms of excellence that do not fit within the system they have designed to cut the public investment in their state university system. The collateral damage to Florida students and families is an acceptable price to pay so that performance funding can work as Scott and his cronies intend.

Consider the case of New College of Florida, which is the honors college of the State University System. Last year, *Princeton Review*, *U.S. News and World Report*, *Forbes*, and *Kiplinger* all recognized it at the top of their national rankings – where it consistently places among the top three public liberal arts colleges in the nation in both academic quality and value for cost.

Does New College deserve to lose state funds because it scores below other institutions in the metric of recent graduates' salaries? The salaries of liberal arts and sciences graduates typically are lower than that of professional-degree holders immediately after graduation, but studies show that 10 years later they actually out-earn their peers. Or, if graduates choose jobs with socially important responsibilities, their salaries may be less impressive, but their societal contributions can be greater. Should New College be punished in Florida for average cost per undergraduate degree when it is at the top of national rankings for best value for cost?

By refusing to recognize New College's mission in the system and reducing its evaluation to expectations established for research universities Scott and company guarantee New College's excellence will be invisible. It has been a loser in the performance ranking for two years in a row, and the financial consequences now threaten its very existence.

THE CHOICE

Performance funding today is a scheme for defunding higher education to pay for other state expenses and tax breaks for the largest corporations. Even worse, it is a scheme for defunding and eliminating higher education for people of color and the economically disadvantaged. Politicians are attacking the democratic system of higher education that has been in place since the 1980s when Governor Bob Graham and the legislature voted for an inclusive policy of higher education designed for all citizens who are ready for it.

Today, Governor Scott and the legislature are promoting something radically different. They do not announce or discuss the significance of this change in policy. Indeed they assiduously avoid getting citizen approval for this epoch-making cabal, which already disenfranchises African-Americans and may end by disenfranchising much of the emerging non-white majority in Florida.⁸

An authentic recognition of quality would mean fully recognizing that every institution has a unique mission and a unique set of strengths that could be developed with adequate funding. That is quality.

Performance funding turns out to be a political game that destroys excellence while claiming to recognize it.⁹ If politicians win this game, they will take credit for increasing quality after defunding the university system and turning it into the least it can be and still be called a system. But if those who care about the universities organize now and expose the political strategy and tactics we are facing, we can stop them before the damage becomes irreversible. We can reclaim the promise of the universities in a system that is fully inclusive and democratic.¹⁰ 

ENDNOTES

1. While there are performance-funding plans for many public colleges and community colleges, the main focus today is on plans for universities. A much higher proportion of university funds come from legislatures, and the overall state budgets for university systems are typically much higher too. If the goal is for legislatures to take back some of the money previously allocated to higher education, the money is mostly to be found in university budgets.
2. Dougherty and Natow, *The Politics of Performance Funding for Higher Education: Origins, Discontinuities, and Transformations*.
3. *Ibid.*, pp. 197-206. The states are Tennessee, Missouri, Florida, Ohio, South Carolina, Washington, Illinois, and Indiana.
4. *Ibid.*, p. 174.
5. *Ibid.*, p. 74.
6. *Ibid.*, pp. 75-6.
7. For details about metrics and implementation of the plan visit the Florida Board of Governors website at www.flbog.org. Here new speak is elevated to a work of art. Excellence in relation to unique individual university missions becomes "system-wide excellence" for all universities reduced to a number (0-5) for each of 10 indicators. Repetition of any funding from the legislature to continue the performance program becomes "new" money given to the universities. Taking money away from some universities to fund others becomes "new" awards.
8. The governor's plan to eliminate some funding and redistribute the rest to preferred universities depends only in part on support from the Legislature which needs to provide only minimal funding to start the process. His hand-picked Board of Governors is then ready for its radical plans. The board decides which universities fall into the bottom three losers. It also decides what proportion of funds a university gets back (six and 12 months later depending on changes the institution is making) if it falls into the bottom three. In hearings (June 2015) board officials warned university leaders that the plans they have just submitted are only the beginning of the process. Universities can expect sharp increases each year in the numbers required for success. The first year (2014-15) was merely a trial run to test the plan and to show universities how badly they could be hurt. No university actually lost money. But the board warned (in its June 2015 meeting) that in the future standards will be much more rigorously enforced. The list of losers and the amounts lost will grow. The implication is that whatever funds are not spent will return to the state. The board also voted for an allocation of zero performance funds for FAMU

and New College in 2015-16. Meanwhile, the amount taken from their budgets for redistribution to others more than doubles (to approximately \$14 million and \$2.5 million respectively). When FAMU leaders were questioned in the hearings, several board members reprimanded them for poor performance in comparison with other universities. One member made the threat explicit. The board is not hearing the right words from FAMU leaders: “We have to get there or we might not be here.”

9. Now that universities are under the board microscope and invidiously compared with others, they have an incentive to keep secret their techniques for achieving anything. They are also motivated to hide the tricks they use for fudging on numbers. Welcome to the brave new world of transparency and accountability.
10. I am grateful to Elizabeth Davenport, Gretchen Garrity, Susan Hegeman, Fred Kowal, Jennifer Proffitt, Raul Sanchez, and Suzanne Sherman for comments and suggestions on the text.

