

## Stakeholder Summary

### The evolution of outcomes-based funding: Institutional mission matters

Outcomes-based funding – linking government funding to institutional performance based on identified outcomes – is relatively new to postsecondary systems that have long been accustomed to dollars driven by enrolment. But funding formulas are the most powerful government instruments available to steer system changes and the behaviour of institutions, said a 2013 [report](#) from the Higher Education Quality Council of Ontario (HEQCO). A new HEQCO report finds that the most promising outcomes-based models consider institutional mission, are collaborative and allow sufficient time for implementation and evaluation.

#### Project description

*Outcomes-based funding: Current status, promising practices and emerging trends* examined postsecondary systems in the US, Canada, Australia and selected countries in Europe where outcomes-based funding models were used to encourage institutional efficiency, research and teaching productivity, and improved student outcomes. The study included a review of policy and research literature, a policy inventory and interviews with expert consultants.

#### Findings

Much of the research on outcomes-based funding focuses on early versions, say the authors. Current iterations are characterized by increased collaboration, the integral role of policy design and implementation, as well as on-going assessment.

Research also indicates that a participatory process with institutions can result in a deeper understanding of how outcomes-based funding policies might impact institutions with varied missions and could lead to improved buy-in from stakeholders. “If outcomes-based funding policies fail to account for differences across the institutions affected, jurisdictions may be more susceptible to unintended consequences, such as increasing retention and graduation rates simply by making admissions criteria more selective,” says the report.

Institutional capacity is also a central concern for outcomes-based funding. One of the expert consultants to the project noted that the logic of incentives necessarily fails if the policy incentivizes outcomes that institutions do not know how to achieve. Research on the proportion of funding tied to outcomes also suggests that the larger the proportion, the more likely the incentive will impact performance.

And while research on postsecondary outcomes-based funding has shown little evidence to date that these policies are associated with improved student outcomes, the authors note that newer and promising models emphasize intermediate student outcomes such as course completion and retention

over ultimate outcomes such as graduation rates, an approach that institutional stakeholders view as reflecting support of students from varied backgrounds as well as respect for institutional differences.

While the authors recommend caution in drawing conclusions about the effectiveness of outcome-based funding, they reiterate that evidence from studies across jurisdictions point to factors including institutional differentiation, appropriate performance measures, a collaborative processes, and institutional capacity to improve targeted outcomes as figuring importantly in the successful design and implementation of outcomes-based funding.

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