

## State Systems of Performance

# Accountability for Community Colleges: Impacts and Lessons for Policymakers

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# State Systems of Performance

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### Impacts and Lessons for Policymakers

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# State Systems of Performance Accountability for Community Colleges: Impacts and Lessons for Policymakers

## Introduction

In the 1990s, the emphasis on quality and getting a return on investment for public dollars led to the rise of performance accountability systems for higher education. The goal was to make higher education institutions demonstrate how well they were performing by citing not enrollment growth but rather gains in student learning, graduation rates, and placement in good jobs. The hope was that performance accountability—particularly if institutional funding were tied to it—would lead colleges and universities to become much more effective and efficient, doing better despite lagging or even declining state funding.

As of 2003, 47 states had experimented in some way with performance accountability, starting with Tennessee in 1979. Despite the widespread use of performance accountability, though, there has been surprisingly little analysis of the impact of this new approach on institutional behavior and actual student outcomes. These are vital concerns. The intent of these systems is to make institutions sharply improve their performance by focusing their attention on actual outcomes rather than simply on inputs and processes. But if badly designed, performance accountability can simply fail or, more worrisome, cause institutions to shift their behavior in socially deleterious directions.

One concern, for example, is that the new systems may unwittingly cause a restriction of the missions of community colleges. To meet the standards for higher rates of retention, graduation, and job placement, the colleges may put much less emphasis on improving access

to higher education and providing a general education. Another concern is that performance accountability systems have not taken into account many obstacles to good institutional performance, such as depressed local labor markets and a lack of organizational resources. As a result, some community colleges may not have a fair shot at successfully meeting state standards.

To ensure the success and relevance of performance accountability systems, policymakers need to answer the following questions:

- To what degree have the various types of performance accountability systems achieved their desired impact?
- What unexpected or unintended impacts have the systems had on community colleges?
- What kinds of design flaws are evident in performance accountability systems that are in place today?
- How can policy changes remedy these design flaws and ensure the most desirable outcomes with performance accountability?

This policy brief was prepared for *Achieving the Dream*, a national initiative that promotes change to improve student success at community colleges. It examines these questions about state performance accountability systems in higher education, focusing on community college systems. The brief describes several types of performance accountability system, looking closely at those that have been established in nine

states: the five states in the *Achieving the Dream* initiative—Florida, New Mexico, North Carolina, Texas, and Virginia—along with four other states—California, Washington, Illinois, and New York—that have large community college enrollments. The brief then examines the impact (both intended and unintended) of the performance accountability systems on community colleges, as well as the most salient critiques of the systems’ designs.<sup>1</sup>

From statistical data and interviews with community college representatives and state higher education officials, as well as from other research studies, we find that performance accountability systems have had moderate impact on the behavior of community colleges but that the ultimate impact on student outcomes is still unclear. In addition, some of the unintended impacts of these systems are problematic, particularly the ways in which they can encourage institutions to restrict their broader missions. Our recommendations for policymakers, found at the end of this brief, provide suggestions for improving performance accountability systems so that they support community college efforts to achieve the best possible outcomes for all students.



## Overview of Performance Accountability Systems

Performance accountability in higher education arose from a larger trend within government agencies and other publicly funded institutions and initiatives: using business accountability approaches to drive change in institutional behavior. Rather than define the success of institutions by enrollments and enrollment growth, performance accountability systems require higher education institutions to demonstrate their excellence through key performance indicators, such as gains in student learning, graduation rates, and placement in well-paying jobs. The expectation is that performance accountability would lead colleges and universities to perform better despite lagging or even diminished state funding.

Today, community colleges encounter performance accountability pressures from several different sources, but particularly from state governments, the federal government, and accrediting associations. In this policy brief, we focus on state accountability systems.

### Common State Performance Indicators

Though states vary greatly in how they carry out performance accountability, certain indicators of general performance are fairly common: persistence and retention rates, rate of transfer to four-year colleges, graduation or completion rates, degree of success in placing students in jobs, student performance on licensing exams, and student satisfaction (Burke and Serban 1998, Dougherty and Hong forthcoming).

### Forms of Accountability

Performance accountability systems at the state level fall into three main categories: performance funding, performance budgeting, and performance reporting (Burke and Associates 2002). Performance funding and performance budgeting focus on variations in funding as the prod to institutional change. They assume that institutions will act to maximize their funding or minimize their funding loss. Performance reporting, on the other hand, relies on the effects of publicizing institutional performance, much like K-12 “report cards” are meant to do.

- **Performance Funding.** This type of performance accountability system connects a portion of state funding directly to institutional performance on key indicators. A formula is created for translating specific institutional outcomes such as graduation rates into discrete amounts of funding. College funding is not entirely dependent on performance, however. Typically, performance funding has been tied to a very small part of an institution’s budget. In the states we studied, for example, the percentage of performance funding was between 1 percent and 6 percent of the overall institutional budget.
- **Performance Budgeting.** In performance budgeting, the connection between institutional performance and funding is more contingent. State government bodies (such as governors, legislators, and coordinating or system boards) announce that they will consider institutional achievement on performance indicators as one factor among many in determining allocations to institutions.
- **Performance Reporting.** This third form of performance accountability depends on a different theory of action. The indicators used may be the same, but funding is not tied to performance. The main spur to institutional improvement is not so much threatened shifts in government funding as it is changes in institutional awareness and public regard. The acquisition and dissemination of performance data may make

institutions more aware of their performance or of state priorities, or they may foster status competition among institutions wanting to be seen publicly as effective organizations.

States can institute one or more of these systems. As of 2003, 15 state systems had performance funding, 21 had performance budgeting, and 46 had performance reporting systems in place (Burke and Minassians 2003).

### The Accountability Systems in Nine States

The nine states in our sample vary greatly in the extent and nature of the performance accountability systems with which they have experimented in recent years, as can be seen in Table 1 below.<sup>2</sup> At some point, five states have implemented a state performance funding system (Washington, Illinois, Texas, North Carolina, and Florida), two have experimented with performance budgeting (Washington and Texas), and virtually all (except for New York) have performance reporting. (New York has no statewide performance reporting system, though one is in place for the City University of New York.)

Another way to look at these states is with regard to the strength of their performance accountability systems: whether they have used performance funding, for how long, and to what percentage of total community college revenues it has applied.

**TABLE 1.**  
**State Performance Accountability Systems**

	Strength of System	Type of Performance Accountability System		
		Performance Funding	Performance Budgeting	Performance Reporting
Florida	Strong	+		+
North Carolina	Medium	+		+
Washington	Medium	x	+	+
Illinois	Medium	x		+
Texas	Weak	x	+	+
California	Weak			+
New Mexico	Weak			+
Virginia	Weak			+
New York	None			
+ = system present x = once had system				

- **Strong performance accountability system:** Florida has experimented with the strongest version of performance accountability. For several years, a performance funding system applied to as much as 6 percent of total community college funding (Florida State Department of Education 2002, Wright, Dallet, and Copa 2002).
- **Middling strength systems:** North Carolina community colleges can receive additional funds depending on how well they perform on six state indicators. For each indicator on which they perform “satisfactorily” (at or above the state standards), a college may carry into the next fiscal year one-third of one percent of its final fiscal year General Fund appropriation. And if the college performs satisfactorily on at least five of six measures, it shares equally with other “superior” colleges in the general funds left unallocated by the North Carolina Community College System at the end of the fiscal year (Harbour and Nagy 2005). Illinois and Washington used performance funding systems for a few years and applied them to much smaller portions of total community college revenues. In Illinois, performance funding only accounted for 0.2 percent of total community college revenues (Illinois Community College Board 2002).
- **Weak systems:** Texas once had a small performance funding system that applied only to developmental education. Meanwhile, California, New Mexico, and Virginia have all laid the groundwork for performance funding systems (e.g., defined indicators) but have not followed through with implementing performance funding or budgeting.
- **Little or none:** New York has no system of performance funding or reporting at the state level, although there is a system for the City University of New York.

In the next three sections of this brief, we examine the experiences of six states that represent different levels of state accountability system strengths: one strong state (Florida), two middling strength states (Illinois and Washington), two weak states (Texas and California), and one with no system (New York).

## Achieving Intended Impacts: Improved Student Outcomes

The overarching intention of performance accountability is to promote changes in community college behavior that result in improved student outcomes. In our research on six state accountability systems, we assessed the degree to which the assumptions about the impacts of performance accountability systems played out in institutions. Did the institutions actually change their behavior? Did the mechanism chosen—changes in funding or in public knowledge—provide sufficient incentives to change? And were better outcomes for students realized?

### Did the system provide a strong enough incentive for change?

The policy of instituting performance accountability systems assumes that by spelling out the desired outcomes, and perhaps even tying the achievement of those outcomes to penalties or rewards, there will be changes in institutional behavior that result in better outcomes for students. A question exists, however, as to how effective the perceived penalties and rewards are in making those changes. Performance funding and performance budgeting both presume that the threat of reduced funding can be a powerful incentive for institutional change, while performance reporting presumes that the knowledge gained from the collection of data and the reporting on outcomes provides some degree of incentive, whether in the form of greater awareness of state priorities, self-knowledge, or status competition.

### *Changes in Funding*

Based on our interviews, state performance accountability appears to have had little financial impact on community colleges, whether we look at performance funding or at performance budgeting.

In the states with performance funding systems (Florida, Illinois, and Washington), most college officials stated that performance funding had little impact on the institutions, primarily because the amount of money tied to performance funding was small compared to the overall college budget. Even in Florida, where performance funding accounted for 5 percent of

total community college revenues in 1999-2000, the financial impact of performance funding still only ranged, across three community colleges, from a 3.6 percent loss to a 1.9 percent gain in their total budget (Florida Department of Education 2002, Wright, Dallet, and Copa. 2002).

Performance budgeting also does not seem to have had a marked impact on the finances of community colleges. To be sure, in a survey of 60 legislative leaders in the 50 states, 62 percent rated performance results as an important and increasing factor in state appropriations for public higher education institutions (Ruppert 2001). However, in a separate nationwide survey in 2003, no state higher education finance officers said that performance indicators had a considerable influence on state funding, and only 19 percent reported even a moderate influence (Burke and Minassians 2003).<sup>3</sup> In our interviews, only three community college officials reported that performance data had much influence on the budgetary decisions of the legislatures and state coordinating bodies.

### *Changes in Knowledge*

Compared with changes in funding, changes in knowledge apparently have had a more significant impact, in such forms as increased awareness of state priorities, self-knowledge, and status competition.

- **Increased Awareness of State Priorities.** Performance accountability is a means of focusing the attention of community college officials on the priorities of state government. The systems require state officials to formally and more clearly enunciate their priorities, rather than leaving officials of higher education institutions to glean them from budget documents or the comments of governors, legislators, and system officials. In a survey of officials of college and university

*Performance based funding affects “a tiny amount of money...in an institution this size...It doesn’t have the impact on practice that they anticipated it would have.”*

—Florida local community college official

officials in five states with performance funding systems, 33 percent said that performance funding had increased campus responsiveness to state needs (Burke and Associates 2002).<sup>4</sup> In our interviews, both state and college officials believed that performance accountability led the colleges to become more aware of state goals.

- **Increased Self-Awareness.** The collection and dissemination of information can increase community colleges’ awareness of their own performance, thus setting the stage for taking corrective action. Some of those we interviewed believed that the accountability systems in their states had led community colleges to become significantly more aware of their own performance. This view was not shared by all, however. Several college officials said that the state performance accountability requirements had little impact on their self awareness, either because the college was already collecting such data or because they disregarded the data the state required them to collect.
- **Increased Status Competition.** The publication of data that allow community colleges to compare themselves to one another raises the possibility that poor performance will be taken as an embarrassment requiring corrective action and good performance will reinforce the actions the college is already taking. This was reinforced by the testimony of two community colleges we studied.

In summary, there is evidence—though moderate, at best—that performance accountability has some impact on community colleges, but perhaps less through shifts in funding than through changes in awareness of state priorities, self-knowledge, and status competition.

### **Did the community colleges change their approaches?**

Performance accountability appears to have had moderate impact on the actions of community colleges. One survey of local community college officials found that performance funding had, on average, a moderate to extensive impact on factors such as institutional planning, curriculum planning, and student outcomes assessment (Burke and Associates 2002).<sup>5</sup> We asked state and local community college officials the extent to



which the institutions were responding to the state accountability requirements in the areas of remediation, retention and graduation, transfer rates, and job placement. The results were as follows:

- **Remediation.** A number of the community colleges stated that their state accountability system had led them to take actions to improve the performance of their remedial education students.<sup>6</sup> For example, they worked with high schools to improve the academic preparation of students before they arrived at the community college, they mandated remediation for student who performed below a certain level on entrance exams, and they provided intensive counseling during remediation.<sup>7</sup>
- **Retention and Graduation.** A major thrust of state and federal performance accountability systems has been to improve the retention and graduation of students. In our interviews, several state and community college officials reported that community colleges responded to state demands for improved retention rates. Strategies include improving pre-college preparation and college remediation, improving orientation programs, removing graduation obstacles, defining intermediate completion points on the way to a degree or certificate, and dropping courses and programs with low completion rates.
- **Transfer Rates.** We found modest evidence from our interviews that community college officials have been aware of and responsive to the push of state governments for higher transfer rates.
- **Job Placement.** Several interviewees attested to the responsiveness of community colleges to state

*“One of our initiatives is underprepared students at the college, and it is coming a lot from the legislature. They want to count the students, they want to know how many developmental education students there are, what is not working in the system.”*

—Washington state community college official

demands for higher job placement rates. Some of the strategies included revamping course content and job placement efforts and, where necessary, canceling courses or programs with poor placement records.

### Were there positive changes in key student-related indicators?

Perhaps the most important question for policymakers is whether the performance accountability systems had the ultimate impact: improved outcomes for students, particularly in remediation, retention and graduation rates, transfers to four-year institutions, and job placement rates. We explore the specific outcomes below, with the caveat that the available outcome data leave much to be desired. Comparable measures across the states often do not exist. Moreover, given the small size of our sample, we cannot control for key demographic, educational, and economic variations across states that may account for (or suppress) any apparent accountability effect. Thus, any statement about the ultimate effect of those systems must be treated with considerable caution.

#### *Increases in Successful Remediation*

All five states with performance accountability systems improved their rates of remedial success in some fashion, but the measures used varied considerably. For example:

- In Florida, over a six-year period, the percent of remedial students passing the highest remedial course within two years increased by 7.6 percentage points for reading, 4.3 percentage points for math, and 4.6 percentage points for writing.
- In Washington, over a four-year period, the percentage of ESL, ABE, and GED students who gained one competency level in at least one subject area during a year increased by 14 percentage points.
- In Illinois, over a three-year period, remedial credits earned as a percentage of remedial credits attempted increased by 1 percentage point. However, in California—a state without performance funding—the same measure showed a 3 percentage points increase over a five-year period.

These findings suggest that performance accountability systems may drive improved remediation success, but we cannot draw clear conclusions. Even when the measures are roughly comparable—as in Illinois and California—the stronger system is not clearly producing stronger results. Though it has the stronger accountability system, Illinois has had slower yearly growth in remediation success than has California (0.25 percentage points a year versus 0.50).

### *Increases in Retention and Graduation Rates*

The association between the strength of a state’s performance accountability systems and its retention and graduation rates is moderate at best (see Table 2). While Florida shows the greatest increase in retention rates and New York shows a loss, the states with the middle to low-strength performance accountability systems show no clear pattern. And in the case of graduation rates, Florida’s strong performance accountability system did not result in a graduation rate improvement that could beat Illinois’s (Florida State Community College System 1998; Wright, Dallet, and Copa 2002).

### *Improved Transfer Rates Across States*

There is little evidence in our sample that differences in the strength of state performance accountability systems are associated with differences in transfer rates. Florida has had far smaller increases in numbers transferring (a 2 percent increase over six years) than states with weaker accountability systems, such as Texas (a 16 percent increase over five years) or California (a 7



percent increase over seven years) (California Community Colleges 1999, 2000-2004, Florida Division of Colleges and Universities 1995-2004, Texas Higher Education Coordinating Board 1999, 2002a).<sup>8</sup>

### *Job Placement Rates Across the States*

Over the course of the late 1990s, four of the five states with performance accountability systems showed improvements in job placement rates.<sup>9</sup> However, because the states use quite varied measures of success in job placement and have distinctive labor markets experiencing different economic trajectories, it is impossible to examine how differences in the strength of accountability systems are associated with differences in job placement rates.

**TABLE 2.**  
**Changes in Retention and Graduation Rates**

	Florida	Illinois	Washington	Texas	California	New York
Strength of State Accountability System	High	Medium	Medium	Low	Low	none
Retention: continuation to next fall among first-time, full-time entrants, percentage point change 1989–90 to 2001–02	+9.5	+0.1	+1.3	+3.2	+3.1	-3.2
Graduation: percentage change in number of Associate’s degrees and certificates awarded	+ 19% 1996/7– 2002/3	+ 32% 1997/8– 2002/3		+14% 1997/8– 2002/3	+ 5% 1997/8– 2000/1	

Source: National Information Center for Higher Education Policymaking and Analysis (2004); California Community Colleges (2000-2004); Florida State Department of Education (2004); Illinois Community College Board (2004a, b); Texas Higher Education Coordinating Board (1999, 2000, 2001, 2002a, 2002b)

## The Unintended Impacts of Performance Accountability

Along with the intended outcomes, performance accountability systems have also generated some unintended (or at least not publicly stated) and quite negative consequences: high compliance costs, lower academic standards, and possibly a narrowed open door.

- **High Compliance Costs.** Performance accountability often imposes considerable compliance costs on community colleges for which they are not fully reimbursed, if at all. Compliance with data-reporting requirements can require large outlays of money and time. A Florida state community college official noted: “Some of the colleges are spending almost as much money on collecting the data and turning the information in as they’re getting back.”
- **Lower Academic Standards.** One unintended consequence is a weakening of academic standards as a way to help boost graduation and completion rates. In our interviews, community college officials expressed concern that this was already happening in their institutions. In some cases, faculty feel pressure to make their courses easier; in others, they may avoid giving failing grades altogether.
- **Restricting the Open Door.** If it is problematic that community colleges may buoy up their retention and graduation rates by grade inflation and looser graduation standards, there is an equally disturbing possibility: keeping retention and graduation rates up by limiting the enrollment of less-prepared students, thus undercutting the community colleges’ commitment to open-door admissions. Although open-door admissions appear to be sacred for most community college officials, some of those we interviewed reported that their colleges have begun to restrict admission to certain occupational programs in order to raise their graduation rates.

*“They [heads of local college] begin by saying, ‘Do not misunderstand us; we are not talking about lowering your standards...’ but in reality there’s no other way to achieve what their goals are.”*

—Florida community college faculty member

## Flaws in the Design: Critiques of Performance Accountability Systems

The above discussion makes clear that while performance accountability systems may be effective in changing the behavior of institutions, it is uncertain whether the resulting changes are all good and whether the incentives may at times be perverse, leading to unintended and even undesirable outcomes. In addition, our interview subjects raised other kinds of concerns about performance accountability systems, namely that states may not be realizing outcomes as big as they intend because the systems have significant design flaws. In particular, the measures used to evaluate college performance are inadequate and, in some cases, unfair. Other concerns involved the many financial problems that performance-based funding can create for community colleges.

### Using Inadequate and Inappropriate Measures

In our interviews, respondents at ten different community colleges in four states argued that state performance measures fail to fully capture successful performance by community colleges. Three areas of “mismeasure” are commonly cited: retention and graduation; job and wage placement; and open door measures.

- **Retention and Graduation.** Community college leaders nationally complain that state retention and graduation measures apply less well to community colleges than to four-year colleges because many two-year students enter college as an experiment to see if they are really interested in college, and they often leave when they decide it is not to their taste (Burke and Serban 1998, Grubb 1996). Other students enter community colleges wanting to acquire certain skills but not necessarily a credential. Still others transfer to a four-year institution prior to having earned a degree. Accountability measures that focus only on degree and certificate completion fail to recognize these kinds of students as “successes” for the institution (Hudgins and Mahaffey 1997). One Illinois community college official gave the example of the college’s Emergency Medical Technician program, where the result may be only 10 certificates out of 375 students. The certificate, however, is meaningless to the students because

it is meaningless to employers. What counts in the labor market is state licensure.

This would suggest a need for measures that take into account students' initial aspirations at college entrance. At the same time, performance accountability systems cannot ignore the fact that the great majority of community college students do want a degree and community colleges have distressingly high rates of students leaving without one (Berkner, He, and Cataldi 2002). To be sure, community college students are significantly less advantaged socially and less prepared academically than are students at four-year colleges, and these differences affect retention rates. But these figures also indicate that institutional problems are at work and community colleges can and must do more to promote graduation (Dougherty 1994).

- **Job and Wage Placement.** Job and wage placement was another issue for community colleges. Our interviewees argued that state demands for placement in high-wage, high-skill jobs fail to acknowledge the labor markets faced by many community colleges. Institutions located in rural, often depressed economies are at a distinct disadvantage in performing well on job placement.
- **Open Door Measures.** Most state performance accountability systems lack measures focused on a college's success in expanding opportunities for disadvantaged individuals. Furthermore, colleges have seen the frequent disappearance of performance funding measures targeting minority access and graduation (Burke and Associates 2002).

### The Downside of Performance-Based Funding

Many criticisms of performance accountability systems relate to the use of funding as the institutional incentive to focus on student outcomes. Real problems arise when changes in performance funding formulas are unstable, when the formulas are not designed so that colleges are fairly compensated, or when colleges begin the process of meeting accountability standards from decidedly unequal positions.

- **Funding Instability.** Local community college officials often complain that performance funding formulas

are unstable, making it difficult to plan. In a survey of community college and four-year college campus officials in states with performance funding, 40 percent rated budget instability as an extensive or very extensive problem of performance funding in their state (Burke and Associates 2000, 2002). In our study, this criticism was particularly strong in Florida, where performance funding had applied to a relatively large portion of the community college budget and the state had changed the funding formula virtually every year (Wright, Dallet, and Copa 2002).

- **Lagging State Funding.** Another frequent complaint of Florida community college officials was that the performance funding system in place until 2000 did not take into account rising enrollments. Under the workforce preparation component of that system, Florida community colleges were competing against one another for the same pot of money—a pot that did not rise with enrollments or with improved performance. Consequently, community colleges could greatly improve their performance and yet receive no additional funding. For example, between 2000-01 and 2001-02, Florida community colleges increased the number of workforce education points they produced by 21 percent, but overall funding only rose 0.7 percent (Wright, Dallet, and Copa 2002).
- **Inequality of Institutional Capacity.** An important question is whether performance funding creates a vicious cycle for poorly performing community colleges, especially those who begin the process with fewer resources. Urban community colleges and small, rural community colleges—both of which have less-advantaged students and fewer institutional resources—may experience difficulty in meeting state standards. In a performance funding system, these under-resourced colleges would inevitably lose funding, further compounding their lack of resources and imperiling their future performance (Burke and Associates 2002).

*“We’ve spent enormous energy and funds to do what we thought the legislature was asking us [only] to find no reward.”*

—Florida community college president



## Policy Recommendations

The overall worth of performance accountability depends primarily on the degree of responsiveness it elicits from community colleges and the actual improvements in student outcomes. What cannot be ignored, however, are the institutional costs performance accountability imposes on community colleges and the socially problematic choices it leads community colleges to make in pursuit of what is considered acceptable performance. There are many ways in which states can modify existing performance accountability systems (or design new ones) so that these problems are avoided or minimized. Our policy recommendations address ways in which states can do this: by acknowledging barriers to success, recognizing the broader missions of community colleges, implementing funding incentives fairly, and supporting capacity building of institutions and government alike.

### Acknowledging Barriers to Success

Quantitative measures of student outcomes can be powerful indicators of a college's success, but they must be well-designed. Although outcomes are indeed paramount in accountability systems, colleges that serve significant numbers of disadvantaged students or that operate in challenging labor markets cannot be evaluated fairly without careful consideration of those very important "inputs." Two recommendations to that end are to:

- **Establish Policies and Standards that Recognize Local Labor Market Differences.** The difficulties of some colleges—particularly those in rural areas—in meeting demands for placement in well-paying jobs need to be addressed by accountability policies that acknowledge local labor market differences. Job placement standards should explicitly include corrections for differing labor market conditions.
- **Vary Performance Targets Across Colleges to Account for Different Student Populations.** One way to avoid penalizing colleges that enroll large numbers of disadvantaged students is to allow performance targets to vary across colleges according to their student characteristics. Regression analysis can be used to develop predicted performance targets for colleges based on their student composition. Another option would be to vary retention and graduation targets for colleges according to aggregate student degree aspirations at the time of entry. Colleges with larger proportions of students with no degree aspirations or very weak aspirations would have lower targets set than those with fewer such students. We must, however, be very careful with this, lest it become an excuse for weak performance. Even if many community college students have weak degree aspirations, a goal of community colleges should be to strengthen the aspirations of less advantaged students. One solution is to gradually increase retention and graduation targets from year to year, spurring colleges to “warm up” their students’ aspirations. In addition, if regression adjustment is used, colleges should be rewarded only if they perform above the regression-adjusted mean for all colleges.

### Recognizing the Broader Mission

Remediation, retention, graduation, job placement, and transfer to four-year institutions are all important student outcomes for community colleges. They are not, however, adequate measures for all students who attend community colleges and may, in fact, create incentives for community colleges to restrict their missions. To avoid such unintended results, performance accountability systems need to revisit performance measures and funding formulas to ensure that the broader mission of community colleges is supported.

- **Establish Measures for All-Important Missions.** The danger of a narrowing of the community college’s missions can be combated by providing measures addressing all important missions. States should make “success in remedial education” a performance indicator. Moreover, states also need to include measures pertaining to general education and continuing education, important community college missions that have been ignored by performance accountability systems and thus face the danger of being neglected by institutional leaders. It is also very important to provide direct incentives for outreach to students who are less likely to persist in and graduate from college as a way to underscore the importance of the broader mission of community colleges.
- **Provide Partial Credit for Partial Completions.** States can address the criticism that performance accountability systems do not accurately gauge the actual successes of community colleges by giving them partial credit for partial completions, in a manner akin to Florida’s system of Occupational Completion Points. In this system, occupational programs are divided into several course clusters, so that colleges can earn partial credit for students who complete a definable cluster of courses that is less than a degree but still has vocational meaning.

### Implementing Funding Incentives Fairly

We have noted that performance funding systems in our study have been, for the most part, too weakly designed to show much impact. It may therefore be worth exploring the expanded use of performance funding—though still on a limited scale, because very large fluctuations in college revenues will have a destructive impact on colleges. If states choose to explore performance funding further, they need to avoid the problems commonly associated with those systems:

- **Keep Funding Stable.** With systems that tie performance to funding, it is critical to keep the funding stable over several years so that colleges can effectively plan and have consistency in their pursuit of organizational change. The formulas governing fund allocation under performance funding systems should remain in place for four or five years, and changes

should be made on the basis of carefully considered evaluation and deliberation by state leaders.

- **Make Funding Formulas Responsive to Changing Enrollments and Performance.** State performance funding budgets need to take into account growing enrollments and improved performance so that as performance improves, funding not only increases but does so at a pace that is in line with the growth in enrollment numbers. Colleges need to be able to see that improved performance helps them maintain or improve their funding. Improved performance should not result in lower state funding simply because every other college is improving as well.
- **Focus Indicators on Outcomes Community Colleges Can Reasonably Influence.** States should choose performance indicators focused on outcomes that do not depend to a very great degree on the willing assent of parties other than community colleges. For example, states should avoid applying only to community colleges an indicator for “success after transfer” because such success depends as much on the actions of universities as of community colleges.

### Increasing Capacity

Policymakers need to consider the real costs of performance accountability and the ability of some colleges and government agencies to meet the demands of these systems.

- **Provide Technical and Other Assistance to Resource-Poor Colleges.** To help colleges with fewer institutional resources (both fiscal and human), state performance accountability systems need to provide funds to meet the costs of acquiring new data management systems and training institutional research staff. Resource-poor colleges may also need more extensive technical assistance in developing their capacity to devise solutions to performance problems. This is one of the goals of the *Achieving the Dream* initiative, which is working with 27 community colleges to gather, analyze, and act on performance data (Lumina Foundation for Education 2004).

- **Develop the Research Capacity of State Governments and Colleges.** Both colleges and state governments face the problem that data are gathered but not acted upon. Joseph Burke and his associates (2002) have suggested that states encourage internal reflection on performance data by adding as a performance indicator whether colleges have developed a system of internal performance accountability for institutional subunits. Another proposal is for state officials to be required to sign off that they have read and responded to state accountability information (Burke and Minassians 2002).

## Summary and Conclusions

At present, performance accountability remains an enigma. We should certainly not discard it. It has demonstrated some potential to realize important public goals. However, we need to carefully ponder the evidence that its impact is uneven and at best moderately strong, in part because performance accountability programs are of fairly recent vintage, inadequately funded, and unsteadily implemented. Moreover, we need to think about how to guard against the distinct possibility that performance accountability produces some significant negative unintended outcomes.

As we have seen, these systems have not had big financial impacts on community colleges, perhaps because the funds that are dependent on performance have been small compared to overall budgets. There is, however, fairly substantial evidence that performance accountability has succeeded in making local community college

officials more aware of state priorities and more interested in their own college's performance. The result has been that community colleges have indeed made a number of changes in their structure and operations in order to achieve such state goals as increased student retention, improved remediation, greater numbers of graduates, and better job placement rates.

Nevertheless, the evidence from our limited data is only moderately strong that performance accountability systems have had a real impact on student outcomes. Moreover, performance accountability appears to produce some negative unintended outcomes as well.

All this argues not for abandoning performance accountability, but certainly for carefully designing and redesigning it so as to maximize its benefits and minimize its costs. This careful crafting of policy will become particularly important as states experiment with performance accountability systems that try to encompass not just higher education but the entire K-16 system. Some problems, such as the weakening of academic standards, are admittedly difficult to remedy. Others, however, suggest clear policy recommendations, such as including measures that recognize the broader missions of community colleges and reward those who keep the open door truly open. Measures that level the playing field for community colleges are also important, such as providing technical assistance to underresourced institutions or looking at student outcomes in the context of the population that is typically served or with an eye to the conditions of the local labor market.

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## Notes

- <sup>1</sup> The analysis in this brief relies on interviews with community college representatives (administrators and faculty) and state higher education officials, information from policy documents issued by the states and community colleges, and other studies of this subject. The information and data for this brief was collected by the National Field Study of Community Colleges conducted by the Community College Research Center at Teachers College, Columbia University.
- <sup>2</sup> More detail on the content of the states' performance accountability systems in five of those states can be found in Dougherty and Hong (forthcoming).
- <sup>3</sup> State higher education finance officers had rated the impact of performance indicators on state budgeting higher in previous years. In 2002, 4 percent had rated the impact as considerable and 35 percent as moderate, and in 2001 the two percentages had been 11 percent and 37 percent, respectively. Clearly, this drop reflected the financial straits of state governments in 2003, which had left them much less room for discretionary spending on higher education (Burke and Minassians 2003).
- <sup>4</sup> The officials ranged from presidents to department chairs. The five states were ones that had performance funding at the time: Florida, South Carolina, Tennessee, Ohio, and Missouri (Burke and Associates 2002).
- <sup>5</sup> Burke and associates (2002) asked local community college officials (ranging from presidents to department chairs) in five states with performance funding to rate their use of performance results in various areas on a five point scale: 1 (very extensively), 2 (extensively), 3 (moderately), 4 (minimally), 5 (not at all). The average ratings for various areas of institutional action ranged between moderate and extensive: institutional planning (2.46), curriculum planning (2.77), and student outcomes assessment (2.79). Interestingly, the community college officials indicated significantly more use of performance data than did their four-year college counterparts, whose ratings for the three categories above were 2.80, 3.32, and 3.13, respectively (Burke and Associates 2002).
- <sup>6</sup> For an extended analysis of what our National Field Study colleges have been doing in the area of remediation, see the work of CCRC's Dolores Perin.
- <sup>7</sup> For more on these steps taken to improve remediation, see Dougherty and Hong (forthcoming).
- <sup>8</sup> On the other hand, another state with a strong performance funding system, Missouri, experienced a 25 percent increase between FY 1995 and FY 1999 in the number of students transferring from community college and completing a Bachelor's degree (Burke and Associates 2002). The Florida transfer data may be somewhat understated by the fact that they do not include transfers to private four-year colleges, something that Florida has been encouraging. On the other hand, the figures reported in the text for Texas and California are also restricted to transfers to public universities.
- <sup>9</sup> Recession-affected data for 2000 and beyond were omitted for this analysis.



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