THE IMPACT OF HIGHER EDUCATION PERFORMANCE-BASED FUNDING (PBF) ON MARKETING DEPARTMENTS AND BUSINESS SCHOOLS AND HOW THE MARKETING DEPARTMENT CAN BE A HERO WHEN IT COMES TO PBF

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Abstract

When it comes to Performance based funding for higher education, there are only two types of States; those that have already implemented the Performance Based Funding model and those that will be implementing it soon. Eventually all state subsidized Colleges and Universities will be affected. Terms like retention, progression and graduation rates will become common terms in the campus vernacular.

What is PBF?

The continuing national and mostly state level debates on higher education funding has lead a number of states to adopt various performance based funding models (Center for American Progress 2012). With Performance Based Funding, some portion of the state's allocation of each college/university is awarded based on institutional outcomes rather than inputs. That means that states are no longer funding based on inputs such as enrollments, but rather on performance outcomes such as retention, progression, and graduation rates. Performance base funding differs from performance based budgeting. While performance-based budgeting employs performance indicators along with other factors to influence funding decisions, performance based funding relies on a predetermined formula using specific performance indicators to determine actual funding amounts (Friedel et al 3013; Rabovsky, 2012). The key difference is that performance based budgeting is indirectly tied to funding, while performance-based funding (PBF) is directly tied to funding as "a system based on allocating a portion of the state's higher education budget according to specific performance measures (Miao, 2012, p. 1).

The second generation of this PBF is often refered to as PBF 2.0. These newer versions of PFB seek to improve upon the negative outcomes and pushback at the university level. One failure of past approaches was the exclusion of the stakeholders in the planning phases. Thus, an important characteristic of the 2.0 model is a joint planning process by which policymakers and other constituents (e.g. faculty) to insure that that the measures match the state's agenda for higher education, while providing alignment with institutional priorities," (Blankenberger, 2011; Miao, 2012; Shulock, 2011). Many new PBF 2.0 models include intermediate measures, greater portions of state funds distributed on performance, and stakeholder input.

In 2007, officials from the Higher Education Funding Council for England (HEFCE) came to the U.S. to share their approach to funding colleges and universities: The approach was to focus on how many students a school graduates instead of how many students a school enrolls. It was, in short, performance based funding for higher education. Fast forward to the fall of 2013 and you find that a total of 22 states have adopted Performance Based Funding (PBF) while an additional 7 states are transitioning to PFB. Add to that another 12 states that are having formal discussions pertaining to PBF, and you can see that the concept has swept the nation. See the table below.

Table 1

State	Current PBF situation		State	Current PBF situation		State	Current PBF situation
Alabama	In Transition		**Louisiana**	**In Place**		**Ohio**	**In Place**
Alaska			Maine	Formal discussions		**Oklahoma**	**In Place**
Arizona	**In Place**		Maryland	Formal discussions		Oregon	In Transition
Arkansas	**In Place**		**Massachusetts**	**In Place**		**Pennsylvania**	**In Place**
California	Formal discussions		**Michigan**	**In Place**		Rhode Island	
Colorado	In Transition		**Minnesota**	**In Place**		South Carolina	Formal discussions
Connecticut			**Mississippi**	**In Place**		**South Dakota**	**In Place**
Delaware			**Missouri**	**In Place**		**Tennessee**	**In Place**
Florida	In Transition		Montana	In Transition		**Texas**	**In Place**
Georgia	Formal discussions		Nebraska			**Utah**	**In Place**
Hawaii			**Nevada**	**In Place**		Vermont	
Idaho	Formal discussions		New Hampshire			**Virginia**	**In Place**
Illinois	**In Place**		New Jersey			**Washington**	**In Place**
Indiana	**In Place**		**New Mexico**	**In Place**		West Virginia	Formal discussions
Iowa			New York	Formal discussions		Wisconsin	Formal discussions
Kansas			North Carolina	In Transition		Wyoming	In Transition
Kentucky	Formal discussions		**North Dakota**	**In Place**			

How will this new funding model based on retention and graduation impact the faculty at state universities? At a minimum, this funding model creates pressure on the university to increase the percentage of students that are retained, progressed and graduated. This in turn puts pressure on faculty members to pass students and make sure they graduate. In general the faculty at these schools have approached the concept with skepticism and trepidation. The Chronicle of Higher Education does not support the concept. The AAUP has come out with a statement of policy regarding this initiative, suggesting that, “

The presenters will take a more proactive and positive approach, suggesting that this is represents a chance for marketing faculty to provide both direction and strategies to help the Universities to be successful in this type of environment. We will discuss the concepts of PBF and PFB 2.0. Jack Schibrowsky will introduce the topic and present his research on CRM principles applied to Student retention. Ludmilla Mills will discuss ways to engage students in the classroom and with international study abroad programs. Micol Maughan will discuss mentoring and coaching programs that can be used to increase student success and retention.

Jim Cross and Gillian Naylor will discuss this topic from the Department chair’s perspective paying particular attention to the way this initiative impacts scheduling, the curriculum, hiring, and faculty assessment. Richard Lapidus and Stuart Van Auken will discuss this topic from a Dean’s perspective paying particular attention to the way this funding initiative changes the interface between the administration and its publics. Steven Hartley will provide insight from the private school perspective, since it can be argued that private schools have been following this model for the past 25 years or more. Gail Ball will discuss the theory and practice of rewards and incentives to get faculty on board with this initiative. Alexander Nill will discuss the potential ethics and moral dilemmas that is initiative creates for faculty and administrators.

References

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