

Chapter 9

The Impact of Performance-Based Funding on Historically Black Colleges and Universities: A Comparative State Analysis

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ABSTRACT

More than half of the states in the U.S. fund public colleges and universities, based in part on those institutions meeting performance metrics. Given increasing political and public interest in accountability for public resources, it is likely more states will adopt incentive-based finance policies for postsecondary education. This chapter explores how performance-based funding has affected HBCUs in six states. It situates this analysis in the political context that foments and sustains interest in this finance mechanism. Through descriptive statistical analysis of HBCU achievement on key performance funding measures and interview responses with HBCU and higher education representatives, this chapter offers a more nuanced and comprehensive analysis of the outcomes of performance funding as it is applied to HBCUs.

DOI: 10.4018/978-1-5225-0311-8.ch009

INTRODUCTION

Historically Black Colleges and Universities (HBCUs) arose in the mid-19th century to educate African American students barred from the majority colleges and universities of the time (Thelin, 2004; Gasman & Conrad, 2013). Though the federal government outlawed de facto segregation in the mid-20th century, HBCUs continue to fulfill the function of educating and graduating students of all genders, races, ethnicities, and socioeconomic backgrounds. HBCUs offer the necessary capacity for increasing the number of baccalaureate degree holders critical to the knowledge-based workforce of the present and future state and national economies. The ability of HBCUs to meet this mission is threatened by federal and state funding disparities that have beleaguered these institutions since their inception. Public HBCUs rely on state allocations for a significant percentage of their revenue (Sav, 2006; Brady, Eatman, & Parker, 2000). It is for these economic reasons that the adoption of performance-based funding is a critical concern to public HBCUs.

Performance-based funding is a finance policy wherein the state body responsible for allocating state money to public colleges and universities ties a percentage of that funding to the institution meeting specific performance targets. States have experimented with some form of performance-based funding since Tennessee adopted this funding mechanism in 1979. Though more than half of the states that experimented with performance-based funding did not continue this policy for long, interest in it has been growing over the past decade. Presently 30 states have initiated some form of performance funding. Four states are transitioning towards its implementation, while others are in discussions to initiate it (National Conference of State Legislatures [NCSL], 2015). Many higher education researchers have explored the motives for and impact of performance-based funding. Yet few have assessed how this funding mechanism has affected historically black colleges and universities (HBCUs).

This study seeks to examine the impact of performance funding on public HBCUs in six states. The primary questions this study seeks to answer are: how have public HBCUs responded to performance-based funding? Has this funding policy caused them to change institutional behavior? Did it lead to changes in public HBCU output metrics? Were policymakers attentive to unique mission of HBCUs when crafting this method for allocating state funds? How do HBCUs perceive the creation and implementation of performance funding? This chapter also explores the political motivations behind the implementation of performance-based funding. This study begins with an overview of performance-based funding in the U.S. and extant research on its development and impact. This is followed by a brief discussion

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