



Manitoba Organization of Faculty Associations  
Fédération des Associations des Professeurs Universitaires du Manitoba

## MOFA Brief on Performance-Based Funding

October 14, 2022

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The Manitoba Organization of Faculty Associations (MOFA) is comprised of members of faculty associations from Brandon University, Université de Saint-Boniface, University of Manitoba, and University of Winnipeg representing more than 2,000 individual academic staff. MOFA is a proud member of the Canadian Association of University Teachers. We are based on both Treaty 1 and Treaty 2 territories, and the homeland of the Métis Nation.

We are pleased to – again - present a written brief to the Government of Manitoba that outlines our grave concerns with performance-based funding. As the current government persists in the development of these widely discredited policies, we urge them to follow the evidence. These schemes are much more likely to do harm than good.

## INTRODUCTION

Following like-minded provincial governments in Ontario and Alberta, the PC government under Brian Pallister announced their intention to move funding for post-secondary education to a ‘performance-based system. The Stefanson government appears to be moving ahead with that approach. Such systems are indeed used in many jurisdictions across the world, with the nominal goals of achieving greater efficiency within the higher education sector; and improving student outcomes by increasing student retention and degree output. Mr. Pallister announced that his government would use the ‘Tennessee model’ as a template for Manitoba<sup>1</sup>. Tennessee was the first American state to embrace performance-based funding, and there are now four decades of experience with it providing the opportunity to review their performance.

This brief is divided into 3 parts. In Part 1, we outline MOFA’s objections to the imposition of performance-based funding. In Part 2, we examine in detail the Tennessee model of performance-based funding that was cited by Premier Pallister when he proposed the new funding model for higher education in Manitoba. In Part 3, we examine the politics of performance-based funding, and examine some of the real reasons right of centre governments pursue performance-based policies when it is shown repeatedly that they don’t achieve their stated goals.

## PART 1. The objections to performance-based funding

### 1. 1. PERFORMANCE-BASED FUNDING DOESN’T WORK

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The obvious problem with performance-based funding is that it does not work. A large body of research on the performance of performance-based funding especially at American universities and colleges shows that performance-based funding performs poorly in achieving the stated policy goals, either having no or minimal effect on student retention and graduation<sup>2</sup>.

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<sup>1</sup> <https://www.cbc.ca/news/canada/manitoba/manitoba-tennessee-model-higher-learning-performance-based-wfpcbc-cbc-1.5768684>

<sup>2</sup>Ortagus et al. (2020).

Performance-based funding is imposed under the assumption that the allocation of state resources to publicly funded higher education is inefficient and wasteful and that the introduction of financial incentives will improve performance. But where is the evidence for this theory? The long-term decline in public funding for higher education across North America has already forced public colleges and universities to squeeze more from steadily shrinking resources. And that is certainly true in Manitoba. Over the 2002 to 2018 period, per capita funding for universities in Manitoba shrank nearly 5%, the most of any province in the country<sup>3</sup>. And that pattern of shrinking funding has continued under the Pallister / Stefanson government.

Manitoba has maintained an open-door policy for student enrolment. Admission requirements vary across Manitoba's four public universities and across programs within universities. The three smaller universities tend to have more relaxed entrance requirements than the University of Manitoba. Lower entrance standards allow more students initial access to the higher education system. That students with lower GPAs do not fare as well in terms of student retention and graduation is not surprising. But these students could succeed, and many will, especially with the provision of additional resources such as remedial coursework to "catch up." The key point is that these students have the opportunity to succeed.

The imposition of performance-based funding almost certainly will exclude these students from participating in university education. Tying funding levels directly to retention and graduation statistics leads directly to higher entrance standards, and increased barriers to marginalized students. Institutions will now be forced to compete more intensely for top performing students graduating from high school. That means more and larger entrance scholarships for these students, and less need-based funding for students from lower socioeconomic strata. University participation is already tilted toward students from wealthy families and performance-based funding will make this worse.

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<sup>3</sup> <https://www.caut.ca/resources/almanac/2-canada-provinces>

### **1.1.1 Do students benefit from performance-based funding?**

There is little evidence that performance-based funding improves the educational experience for students, and much evidence that that it imposes unfair costs on many, including those who benefit most from a university education: those from low income and marginalized backgrounds. Manitoba universities have increasingly become home to a diverse array of students, from every ethnic and economic group.

Over the last decade, a major initiative has been the Indigenization of our universities, and the proportion of Indigenous students has grown in recent years. The introduction of performance-based funding places this progress at risk. It will incentivize “creaming”<sup>4</sup>, where tying funding to graduation rates creates incentives for administrators to make admission criteria more selective to favour students with a higher probability of graduating on time. As the data from across the world shows, it is likely to result in a less diverse student body, with fewer BiPOC and lower income students. It risks kicking away the ladder of social mobility for the students who would benefit most.

## **1.2. PERFORMANCE-BASED FUNDING SYSTEMS HAVE IMPORTANT COSTS**

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Far from being the panacea that many politicians believe them to be, performance-based funding models have been shown to generate an array of unintended and pernicious consequences. We present a précis of these costs here.

### **1.2.1 Performance-based funding reduces access for marginalized students**

Perhaps the greatest flaw with performance-based metrics is that they disadvantage already marginalized students, specifically students from ethnic or racial minorities, and students from low-income backgrounds, and students with non-traditional education trajectories such as mature and part time students. As a result, our institutions will only take those students who have the very best prospects for success based upon entry criteria such as grade-point average

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<sup>4</sup> Dougherty & Reddy (eds.) (2013).

or standardized test scores on entrance exams<sup>5</sup>. Abundant evidence shows that “creaming” disproportionately harms historically marginalized students: those from low-income backgrounds and/ or minority groups<sup>6</sup>. Interestingly, the first evidence of “creaming” was found in Tennessee and Florida, early adopters of performance-based funding<sup>7</sup>.

Creaming is just one illustration of a larger problem with performance-based funding. Clever colleges and university administrators find ways to game the system to improve their performance metrics, not by improving real performance, but simply by changing whom they admit.

Graduation rates are also a poor indicator of institutional performance for the fact that they reflect in large part the background characteristics of the students regardless of the quality of the institution they attend<sup>8</sup>. These factors lie largely beyond the control of higher education professionals<sup>9</sup>, which again underpins why institutions tend to change admission standards and become more selective under the coercive influence of performance-based funding.

Performance-based metrics can further exacerbate already inequitable access to students from low-income backgrounds by changing how scholarships and bursaries are deployed: funds used to support low-income students (with generally poorer prospects for graduation) are shifted toward more funds to scholarships based on academic merit – thereby attracting students more likely to graduate<sup>10</sup>. This is another mechanism by which university administrators can game a performance-funding system to generate better metrics to improve funding support. But it is done at the expense of exactly those students who benefit most from higher education.

### **1.2.2 Performance-based funding can shrink the pool of highly skilled workers**

A second key flaw with performance-based funding is that it tends to reduce the overall capacity of the system when it is linked to employment outcomes of students. Post-graduation

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<sup>5</sup> Umbricht et al. (2017).

<sup>6</sup> Pascarella & Terenzini (2005); Dougherty et al. (2016); Kelchen & Stedrak (2016); Umbricht et al. (2017).

<sup>7</sup> Banta et al. (1996); Colbeck (2002); Dougherty & Reddy (eds) (2013).

<sup>8</sup> Zhang (2009).

<sup>9</sup> Banta et al. (1996).

<sup>10</sup> Dougherty et al. (2014); Lahr et al. (2014).

employment is linked to short-term economic performance, something outside the control of universities. Unemployment rates rise during recessions and enrolment is counter-cyclical to external economic performance. More students go to university when the job prospects for youth are bleak<sup>11</sup> and they acquire valuable skills in doing so. But using performance-based indicators linked to student employment success results in reduced funding for universities when the need for highly skilled workers is greatest<sup>12</sup>. Ultimately this system would result in downsizing universities to the point where all graduates can be absorbed into the job market during even the worst recessions, creating capacity shortfalls during better economic times. That runs directly counter to the stated goal of increasing the pool of highly trained workers for the local economy.

### **1.2.3 Performance-based funding compromises educational quality**

Improving graduation rates of poorly performing students is a resource-intensive exercise. It requires close monitoring of the academic progress of each student, and the provision of extra resources such as counselling, one-on-one tutoring, and direct funding to students so they don't need part-time work to support themselves. Where performance-based metrics are imposed without the provision of additional funding such costs, the American experience with performance-based metrics suggests that colleges and universities take a different approach: lower academic standards, something not routinely included in the performance funding metrics.

As one anonymous faculty member at an Ohio university states<sup>13</sup>:

Well, in an effort to promote student success, there is a substantial pressure to minimize the failure rates of the students in some of these undergraduate courses. And of course that would translate into inflation of grades in order to make sure that the students are passing all of these courses and so forth. So I as a faculty member have a concern as to the watering down of our course materials as well as the quality of our majors, the programs.

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<sup>11</sup>In OECD countries including Canada, university enrolment is countercyclical: Sakellaris & Spilimbergo (2000).

<sup>12</sup> See examples in: De Boer et al. (2015).

<sup>13</sup> Dougherty et al. (2016), page 164

Sadly, there is considerable evidence for eroding academic standards as an unintended consequence of performance-based funding<sup>14</sup>. By reducing graduation requirements, and by allowing grade inflation, university administrators can again game the system to improve performance metrics without improving actual performance. In the drive to improve performance metrics, faculty are pushed to move students through the system, a particularly corrosive effect of performance funding. With lowered standards, students receive a lesser educational experience and the benefits to society are diluted or eliminated when universities are transformed from universities to diploma mills.

The Tennessee model – the model of choice for Manitoba -- is testament to the erosion of academic standards. The imposition of performance-based funding in these states has resulted in grade inflation, reductions in degree requirements, and reduced emphasis on students needing assistance<sup>15</sup>.

#### **1.2.4 Fixing the problems of performance-based funding is expensive**

Reviews of the performance of performance-based funding systems identify exclusion of marginalized students as the primary unintended consequence. Few politicians and bureaucrats would confess that this was their original intent when designing and implementing performance-based funding systems. But the evidence of this effect is so overwhelming it must be considered a design feature of the system.

Since building a system that disadvantages those who benefit most from higher education is immoral, the architects of performance-based funding systems must address the problem at the outset. The best approach identified from extensive research on this problem is straightforward: provide the additional resources to the system to eliminate the built-in inequities<sup>16</sup>. That is, provide need-based income supports for students from low-income backgrounds; and provide additional academic and ancillary support for students from historically marginalized groups. Tennessee, example, provides a 40% funding premium for students from low-income

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<sup>14</sup> Dougherty et al. (2016); Li (2018); Dougherty & Reddy (2011).

<sup>15</sup> De Boer et al. (2015).

<sup>16</sup> Li (2019).

backgrounds (eligible for Pell Grants) or adult learners<sup>17</sup>. Performance premiums are an explicit acknowledgement that historically disadvantaged groups require more resources to graduate<sup>18</sup>.

But even mitigation measures may fail to remedy the inherent problems with performance-based funding modes. To address the underrepresentation of low-income students, or students of colour, some states have introduced performance funding premiums targeting these groups. But the success has been mixed: the participation of some groups has increased – low-income students; Hispanic and Asian students – but the participation of other groups, most notably black students, has decreased<sup>19</sup>. In most cases, however, these premiums / bonuses have insufficient to cover the full cost of meeting the needs of less academically prepared students.

The bulk of the available evidence, as shown above, finds that performance-based funding fails to achieve the stated policy objectives. And that same body of evidence suggests – strongly – that performance-based funding does more harm than good. DeBoer et al. (2015) conclude their comprehensive review of performance-based funding in fourteen higher education systems higher with this cautionary note<sup>20</sup> “...policies intended to increase accountability in higher education may be doing more harm than good and should be considered with great caution.”

#### **1.2.5 Achieving the stated goals of performance-based funding requires additional resources**

There are a small number of cases where the intention to increase performance – e.g., to enhance retention and graduation rates; improve career outcomes – is the genuine policy objective of the provincial / state / national government. These are easy to discern: the policy objectives are introduced alongside the resources to achieve them. Increasing retention and graduation rates of students, especially those from marginalized backgrounds, is neither cheap nor easy. If it were, universities would already be doing it.

Getting poorly performing students through their degree program requires close tracking and individual attention, both require increased academic and support staff to meet the extra

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<sup>17</sup> Ness et al. (2015).

<sup>18</sup> Li (2018).

<sup>19</sup> Gándara & Rutherford (2018).

<sup>20</sup> De Boer et al. (2015).



burden<sup>21</sup>. For example, universities need to increase resources for in-person and online tutoring; increase counseling staff, engage students in professional development; study abroad activities; and undergraduate research. And to implement the close monitoring systems, requires an expensive expansion of information technology that stands as barrier to implementation. Such information technology systems do not yet exist at Manitoba universities and could only be established at substantial cost, draining fiscal resources from the primary academic mission of our universities. For a government that has been focused on reducing bureaucracy and “red tape”, the introduction of performance-based funding will only re-direct existing funds to administrative costs.

Without the additional resources to improve student outcomes, the result is predictable and bad. University administrators game the system, altering the selection process to favor students with the best prospects for graduation and post-graduate job performance. As a direct consequence, it is students from historically marginalized / low-income backgrounds are most likely to be excluded from university entrance, one of the myriad unintended and pernicious consequences of performance-based funding.

#### **1.2.6 Performance-based funding undermines efforts to address Truth & Reconciliation**

In recent years, Manitoba universities have engaged in a serious effort at the Indigenization of the academy. This plays a key role in addressing the calls to action of the Truth and Reconciliation Commission of Canada<sup>22</sup>, and in particular those concerning Education (Recommendations 6 to 12); and Language and Culture (Recommendations 13 to 17). Universities will play a key role if we are to eliminate educational and employment gaps between Aboriginal and non-Aboriginal Canadians (Recommendation 7; and universities will play a key role in creating the university and college degree and diploma programs in Aboriginal languages (Recommendation 16). The implementation of performance-based funding, where universities are mandated to graduate as many students as possible at the lowest cost, is diametrically opposed to these objectives. These

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<sup>21</sup> Ness et al. (2015); Jenkins et al. (2012); Dougherty & Reddy (2013); Dougherty et al. (2016).

<sup>22</sup> Truth and Reconciliation Commission of Canada: Calls to Action (2015): [https://ehprnh2mwo3.exactdn.com/wp-content/uploads/2021/01/Calls\\_to\\_Action\\_English2.pdf](https://ehprnh2mwo3.exactdn.com/wp-content/uploads/2021/01/Calls_to_Action_English2.pdf)

recommendations will not be cheap or easy to implement, but they are necessary if we are to address the most important social issues of this era.

### **1.3. PERFORMANCE-BASED FUNDING IS NOT NEEDED FOR FISCAL OVERSIGHT**

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A justification for the imposition of performance-based funding is the need for greater fiscal oversight at our institutions of higher education. MOFA has no objection to greater fiscal transparency at our universities. Indeed, we support a more open and public budget process, at both the institutional and provincial level. The public and the institutions themselves would benefit from this. Indeed, we believe that the budget discussions held at the level of the Board of Governors / Regents should be held in public, and not in *in camera* sessions behind closed doors. As these are public institutions, everyone should have access to the budgetary details.

The objection of MOFA is simply that the notion that performance-based metrics are required to improve fiscal oversight is an obvious canard. There are many ways of improving fiscal oversight, and the current government has the power to implement any of them. As the sitting government appoints the majority of Board of Governors / Regents, the body that exercises fiscal oversight, they control this process. Simple rule changes such as ensuring that budget discussions are held in public would increase transparency.

Increased training of members of the Board of Governors in how to exercise their important role properly would aid this process: many members of the Board of Governors are unfamiliar with what universities do, what their broader role in society should be, and how university budgets are set. Quite possibly too much control is given to the members of the senior administration of the university in process of preparing budgets without genuine oversight by the appointed members of the Board of Governors.

Beyond modifications to the Board of Governors, it is within the power of the provincial government, to establish a body that oversees the university budgeting process. Indeed, that role was played by the Council on Post-Secondary Education (COPSE). COPSE had detailed information on the budgets of each public university and played a role in program coordination roll-out.

But the notion that performance-based metrics are a prerequisite for adequate fiscal oversight is simply wrong.

#### **1.4. PERFORMANCE-BASED FUNDING UNDERMINES UNIVERSITY AUTONOMY**

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Performance-based funding is a blunt policy instrument<sup>23</sup> where each metric is a political choice. Every chosen metric has potential unintended and often harmful consequences. Each metric chosen interferes with university autonomy. Performance-based funding becomes especially troublesome when politicians do not understand the proper, broad role of a university in society. An obvious problem is the attempt to transform them from institutions of higher education that impart an array of power skills, to technical colleges with a narrow focus on job training.

Universities need to remain at arm's length to do their job: making universities instruments of government economic policy, again, undermines university autonomy. But that is indeed the explicit aim of performance-based funding systems, especially those adopted in the United States and Canada<sup>24</sup>. Performance-based funding has been introduced in both countries by Republican / Conservative governments. Given the poor performance of performance-based funding systems to achieve their putative policy objects, one must question whether these policy objectives are genuine, or simply a stalking horse for the real objective, namely defunding higher education, and transferring the costs to students via higher tuition fees. Is it just coincidence that implementation of performance-based funding in more than 30 states and three provinces coincides with defunding of higher education? If the real policy goal is to achieve better performance, that is one thing. But if the real policy goal is to downsize the university sector, then government should be forthright about that.

Providing financial incentives for better performance does not magically produce better results while higher education is being defunded: that particular form of fairy dust does not exist even within the canon of neoliberal theory. If one wishes to increase the pool of highly skilled workers in Manitoba, it cannot be done on a diet of starvation rations. And if Manitoba desires to increase

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<sup>23</sup> Orr D, Usher A (2018).

<sup>24</sup> Orr D, Usher A (2018).

the participation of historically underrepresented groups, most notably Indigenous students, it shall require more, not less, public funding; not higher tuitions fees that raise financial barriers to participation in higher education, but more direct provincial funding and lower costs.

### **1.5. PERFORMANCE-BASED FUNDING EXAGGERATES INEQUALITIES AMONG UNIVERSITIES**

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A large body of research on the experience of performance-based funding in American state systems shows that over time such metrics increase the disparity in funding among institutions. In short, the rich – which start with more resources that can be devoted to improving student outcomes – get richer. The experience in Tennessee – the proposed model system for Manitoba – illustrates the problem<sup>25</sup>. Even small penalties for failure to meet performance metrics harmed those institutions that started with lesser resources and as a result they could not build the capacity to reach their higher order goals of student performance.

The Manitoba public universities do not begin on an equal footing. There is one large university (Manitoba); and three small to very small universities (Winnipeg, Brandon, St. Boniface). The three smaller universities do not enjoy the economies of scale of the University of Manitoba. The experience elsewhere shows that existing institutional inequalities grow under performance-based funding. The smallest universities, with the thinnest budget margins, lack the financial flexibility to invest in retention mechanisms that are costly to implement. The experience of Tennessee (see Part 2 below) is particularly germane here as state legislators cut funding for higher education while increasing the fraction of institutional budgets tied to performance indicators. Smaller institutions facing the prospect of competing for a share of a shrinking pie against a stronger competitor may face an insuperable task. Such a system would only make sense if the real policy goal is to downsize the university sector. In the case of Manitoba, that would probably mean eliminating St. Boniface or Brandon and/or amalgamating them with the University of Manitoba.

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<sup>25</sup> Hillman et al. (2015).

## 1.6. WHY HAS PERFORMANCE-BASED FUNDING FAILED?

Abundant evidence shows that despite great effort and system modifications, performance-based funding has failed to move the needle on improving retention and graduation rates of students. The obvious question is “why?” Part of the answer is that those implementing performance-based funding at universities fail to recognize that the steps for improving these outcomes are both complex and expensive<sup>26</sup>. Much research shows that there are a range of factors that contribute to student success, including but not restricted to academic support services, student engagement levels, the campus climate, financial aid, and student satisfaction<sup>27</sup>. Universities need to develop the capacity to achieve this performance goal; those institutions already under financial stress cannot develop this capacity without additional resources. Not addressing the capacity constraints embedded in policies of performance-based funding is a symptom of an incomplete theory of action linking performance goals with the necessary resources to achieve those goals<sup>28</sup>. In Manitoba where universities have undergone six years of cuts to provincial funding, the resources for capacity development are not there. Or simply put, you can’t get there from here.

## PART 2. The Tennessee Model of PBF

In October 2020, then Premier Pallister announced his goal of introducing performance-based funding for Manitoba’s universities and colleges<sup>29</sup> and was quite clear in his inspiration for this choice: the Tennessee model of performance-based funding. Perhaps that choice was made because it was the first American state to introduce performance-based funding. But even though it was first, with the longest period of time to fix the problems of performance-based funding, is it the best model?

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<sup>26</sup> Hillman et al. (2015)

<sup>27</sup> Pascarella & Terenzini (2005); Seidman (2005); Kuh et al. (2010); Hillman et al. (2015)

<sup>28</sup> Dougherty et al. (2013)

<sup>29</sup> <https://www.cbc.ca/news/canada/manitoba/manitoba-tennessee-model-higher-learning-performance-based-wfpcbc-cbc-1.5768684>

## 2.1 TENNESSEE WAS THE FIRST STATE TO INTRODUCE PERFORMANCE-BASED FUNDING

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In 1979 Tennessee was the first American state to introduce performance-based funding: the long history of the Tennessee experience is one of trial and error, with repeated changes to the funding formula and the incentive system that has an unbroken track record of failing to achieve the policy goals. At the same time Tennessee's performance-based funding systems have generated an array of often substantial costs, especially for marginalized students, as college and university administrators game the system to improve performance metrics – e.g., by “creaming” students with the best expectations of remaining in the program and ultimately graduating, penalizing students from low income or marginalized backgrounds.<sup>30</sup> Sanford and Hunter (2011) are plainspoken about the failure of the Tennessee model of performance-based funding:

Public institutions in Tennessee have not responded to the current monetary incentives created by the State's adoption of performance-funding policies. The introduction of retention and six-year graduate rates as a measure included in performance funding in 1997 did not result in statistically significant differences in the mean retention or six-year graduation rates at Tennessee institutions compared to their peers. Additionally, the doubling of the monetary incentive associated with the retention and six-year graduation measures by the State in 2005 was not associated with increases in retention rates at Tennessee institutions compared to their peer institutions<sup>31</sup>.

In short, the Tennessee model is a comprehensive failure. Moreover, the state legislators, while imposing new and constantly evolving performance metrics, failed to deliver on promised funding for the system. Funding per full-time equivalent student fell 18% between 2008 and 2018. The system is overseen by the Tennessee Higher Education Commission (THEC) that evaluates the performance metrics and based on these, recommends the funding level for each institution. However, state legislators make the final budget decision, and the institutions rarely receive the funding recommended by the THEC<sup>32</sup>.

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<sup>30</sup> Banta et al. (1996); Sanford & Hunter (2011).

<sup>31</sup> Sanford & Hunter (2011), page 20.

<sup>32</sup> Obergfell (2018).

## 2.2 HOW WELL DOES THE REVISED TENNESSEE MODEL WORK?

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The latest iteration of performance-based funding involving ‘outcomes-based funding’ was introduced in 2010. It tied funds to student progression (the accumulation of 24 / 48 / 72 credit hours); degree completion (Associates, Bachelors, Masters, Doctoral and Law Degrees); degrees per 100 FTE; six-year graduation rate; research productivity and service; with a focus on adults and low-income students. The metrics were designed to recognize variation among institutional missions. A comprehensive review of the performance of that ‘outcome-based funding’ at Tennessee public universities and colleges has recently been published<sup>33</sup>. Among the main conclusions:

1. Outcome-based funding had no effect on the enrolment of full-time university students;
2. The number of Pell Students<sup>34</sup> increased, but this may have been due to increased Pell student population in Tennessee due to increased federal funding of the Pell program;
3. The proportion of students completing a bachelor’s degree increased slightly during the period of outcome-based funding
4. Outcome-based funding had no impact on degree completion for Pell students

Overall, there is little evidence that this most recent incarnation of performance-based funding in Tennessee made any material difference to student performance, especially for low-income students eligible for federal Pell funding.

The Tennessee model has evolved in recent years to better engage with institutional leaders, and has empowered campuses to draft their own performance criteria to meet with their missions<sup>35</sup>. While such institutional engagement is commendable, it would be naive to ignore the broader context of this improved decision-making: **the institutions have been allowed to decide how they will compete for a shrinking pool of public support for higher education.** Creating the

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<sup>33</sup> Callahan et al. (2017).

<sup>34</sup> A Pell Grant is a subsidy paid by the U.S. federal government for students in financial need.

<sup>35</sup> Obergfell (2018).

conditions for internecine warfare among institutions is not an obvious path to improving the quality of a system of higher education. And it has not in Tennessee.

The Tennessee model of performance-based funding has now been in use for more than four decades. Surely, given that length of time, it would have produced the stated policy results: a higher proportion of the population holding a university degree. It has not. In 2017, just 26.1% of Tennesseans held a bachelor's degree, well below the national average and ranking Tennessee 42nd among the 50 states<sup>36</sup>. After four decades of experience, Tennesseans languish near the bottom of the country in educational attainment. So an obvious question arises: **why would the Stefanson government want to follow a model that has generated such mediocre results?**

### 2.3 SHOULD MANITOBA ADOPT THE TENNESSEE MODEL?

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If Manitoba follows the Tennessee model, imposing performance-based funding while reducing funding for higher education, the result is quite predictable. The participation rate in higher education for Manitoba students – already low by national standards – will fall. Manitoba is in the bottom half of the country in participation in higher education: in 2018 just 27% of adult Manitobans held a university degree, well below the national average of 31%. That ranks Manitoba 6<sup>th</sup> among the provinces<sup>37</sup>.

With the reduced public funding associated with performance-based funding and higher tuition fees, the strong likelihood is that participation rates in higher education in the Manitoba will fall even further.

It is important to note also, that the higher education ecosystem in Manitoba is very different than that in Tennessee (or any American state). There is not equivalent to the federally-funded Pell Grant system in Canada and low-income students do not have access to the same financial support that students in Tennessee enjoy. Thus, under a further funding squeeze, implementation of the Tennessee model in Manitoba is most likely to reduce, not expand, the

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<sup>36</sup> American Community Survey, United States Census Bureau: [www.census.gov/programs-surveys/acs](http://www.census.gov/programs-surveys/acs)

<sup>37</sup> Statistics Canada, Education Indicators in Canada: An International Perspective, 2018 (81-604-X): <https://www150.statcan.gc.ca/n1/daily-quotidien/181211/cg181211a001-eng.csv>



number of highly-skilled university graduates joining the workforce. It is obvious that the current Tennessee system is built upon attracting as many Pell Grant students as possible, effectively subsidizing the Tennessee system of higher education with federal dollars. In 2018, 41% of Tennessee students received Pell Grants, accounting for \$550 million in funding<sup>38</sup>. That compares to a state allocation in Tennessee of ~\$1.8 billion to higher education in 2018<sup>39</sup>. Again, we emphasize that such a system, where by attracting more low income students, universities can attract more federal funds, does not exist in Canada.

## **PART 3. WHY PERFORMANCE-BASED FUNDING?**

### **3.1 A STALKING HORSE FOR FUNDING CUTS TO HIGHER EDUCATION?**

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Although a large fraction of American states have implemented some form of performance-based funding, normally during the tenure of a Republican state government, the majority are clearly not serious policy efforts to change institutional behaviour in any meaningful way. That is obvious from the tiny fraction of funding (1-2% of higher education budgets) devoted to performance-based funding which is insufficient to move the needle. So why bother? One must conclude that this is done primarily as political theatre, to be seen to be doing something, without actually doing something.

The preponderance of evidence shows that performance-funding policies have failed to improve postsecondary outcomes<sup>40</sup>. The obvious question arises: why bother? If there are no benefits and large costs, a straightforward cost-benefit analysis suggests one should not proceed. But governments across the world, including a majority of American states, have proceeded with performance-based funding. Why?

Performance-based funding is associated with neo-liberal (right wing) governments: in the United States, the introduction of performance-based funding at the state level was associated

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<sup>38</sup> <https://www.knoxnews.com/story/news/education/2022/01/28/pell-grant-double-tennessee-college-congress/9245453002/>

<sup>39</sup> <https://www.insidehighered.com/news/2018/01/22/state-support-higher-ed-grows-16-percent-2018>

<sup>40</sup> Hillman et al. (2018); Ortagus et al. 2020.

with republican dominated legislatures<sup>41</sup>. In Canada it was and is associated with Conservative governments, also embracing a neo-liberal agenda<sup>42</sup>. It was pioneered in Ontario by the Conservative government of Premier Mike Harris while he was implementing the ‘Common Sense Revolution’ framed upon reducing government expenditures and lowering taxes. Performance-based funding was a tool to reduce higher education funding<sup>43</sup>.

In most cases, performance-based metrics are a political canard<sup>44</sup>, more about being seen to be doing something, rather than actually doing something. In many cases the real intent is not to enhance student outcomes, but rather to use performance-based funding as a tool to defund post-secondary education. In many cases, performance-based funding is used to withdraw public funding from public education, and shift the burden to students by raising tuition fees<sup>45</sup>.

During the summer of 2022, the Government of Manitoba opened up consultation with faculty, staff, students and university administrations regarding the implementation of performance based funding. The response from students, faculty and staff was near unanimous in speaking out against these proposed reforms. During these consultations, MOFA was also told that we would receive a summary of the consultations, which the provincial government has not provided, despite repeated requests. Furthermore, MOFA has been requesting any evidence that the government possessed that these schemes would improve educational outcomes. This request has thus far been ignored.

Perhaps most frustrating in this entire endeavor has been a failure, despite repeated requests, to identify which problems the government was seeking to address. As a participant in the consultations noted: “The government is attempted to fix a perceived crack in the foundation with a sledgehammer.” Despite the refusal to address any of the issues brought forward in a uniform matter by faculty, students and staff, the government again announced in September

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<sup>41</sup> Dougherty & Natow (2015); Li (2017); McLendon et al. (2006).

<sup>42</sup> Dougherty & Natow (2019).

<sup>43</sup> Jones (2004).

<sup>44</sup> The rare exception being where funding agencies increase the available resources to actually improve outcomes: for example, see Kelchen (2018).

<sup>45</sup>CAUT Bulletin: The rise of performance-based funding; April 20, 2020.

2022 that they would consult on a series of proposed metrics. But neither the Minister nor their department have identified what problem they are hoping to address is, and how to fix it.

Faculty at Manitoba's universities are more than happy to work with government to improve our post-secondary education system. First and foremost, the government should address their own record in terms of cutting funding to and interfering with the affairs of our universities. But beyond that, the continued pursual of these policies, which have repeatedly been discredited, will only cause generational harm to our universities.

MOFA calls on the provincial government to immediately halt the implementation of these damaging programs and proposals. We sincerely hope that the Premier and cabinet seriously re-consider both their current policy and look to evidence based approaches when instituting policy around higher education.

## **CONCLUSION**

Performance-based funding yields little or no benefit to the university system and the public at large, and typically comes at great cost. It impairs the ability of universities in performing one of their key roles: facilitating upward social mobility by reducing access and equity. Students from low-income backgrounds and traditionally marginalized groups are the big losers under performance-based funding. Performance-based funding and companion policies such as differential tuition fees kick the ladder of social mobility away, as universities are coerced into becoming more selective about the students they admit into their programs.

This obviously is at cross-purposes with our goal of having the student population reflect the population at large. Indigenization of the academy has been a key goal in recent years, and performance-based funding threatens to roll back this progress, an important element of reconciliation of past wrongs. Lowering barriers to access, assisting less academically prepared students, and increasing participation and graduation rates requires more, not less resources. Given that performance-based funding is being proposed by a government that from day one has aggressively cut public support for higher education in Manitoba and has shifted the financial

burden onto the backs of students, we do not see the necessary additional resources to make these policies work forthcoming. Instead, what we see is a race to the bottom, with our universities facing competition for a shrinking pool of resources. The result is a system of higher education that is more selective, more expensive, and far less equitable. MOFA cannot in good conscience support such a policy.

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