

Briefing: Alberta's Performance-based Funding Model for Post-secondary Institutions



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Overview

On January 20, 2020, Advanced Education Minister Demetrios Nicolaides announced that his government will be moving forward with the implementation of a performance-based funding (PBF) model for post-secondary institutions. He also announced that the government will be negotiating three-year funding agreements with institutions. This briefing summarizes and analyzes the referenced announcement.

Performance-based Funding

Alberta's new PBF model will partially come into effect for the 2020-2021 fiscal year, and will reach full implementation by the 2022-2023 fiscal year. Below are the key specifications that are known about the model at this time:

- Beginning in 2020-2021, 15% of an institution's funding from the Campus Alberta Grant will be based on performance according to the chosen indicators. By 2022-2023, this will increase to 40%
 - Note that the Campus Alberta Grant does not encompass all funding received from the Government of Alberta. At U of A in 2018-2019, for example, the Campus Alberta Grant was \$671.3 million, or 34% of the university's revenue. Other grants from the provincial government provided another \$275.3 million, or 14% of revenue
- At full implementation, 15-20 metrics will be used as indicators. These will be phased in over the course of three years, and not all will be considered immediately on Day 1 of implementation
- The following metrics were cited as examples by the government:
 - graduate employment rate
 - median graduate income
 - graduate skills and competencies
 - work-integrated learning opportunities
 - administrative expense ratio
 - sponsored research revenue
 - enrolment (including potential targets for domestic students, international students, and under-represented learners)
- A portion of the PBF will be tied to each metric. If an institution falls short of its targets for a given metric, a portion of the funding tied to that metric will be taken away

- Metrics will be weighted differently for each institution, depending on their mandates and areas of focus. For example, research-based metrics are likely to be given more weighting at universities than at polytechnic institutions
- At each institution, administration and students will each be able to identify a metric which they would like to see included

Investment Management Agreements

Alongside PBF, the government will also introduce three-year investment management agreements. Each institution will enter into a unique agreement with the government, which will detail the amount of funding that will be provided in provincial grants over the specified three-year period. This is in contrast to the current approach, wherein funding is announced on a year-by-year basis in conjunction with the unveiling of each year's provincial budget. As a result of this change, the government will be eliminating a number of annual reporting mechanisms that it considers to be "red tape," including Comprehensive Institutional Plans.

Analysis

Due to a lack of available detail at this time, many of the implications of this announcement are still unclear at best. Therefore, analysis at this time will be limited to a survey of potential problems with the model as it is currently understood.

Before examining the potential problems posed by Alberta's proposed model, it should be understood that PBF is not, at the base level, an untested concept. A wide range of models incorporating institutional performance and outcomes are in use in many US states, Australia, New Zealand, and numerous countries across Europe (including several with tuition-free post-secondary education).¹ It is the design of a model, as opposed to the existence of a model, which will lead to positive or negative outcomes for a jurisdiction's post-secondary education system.

Potential problems identified as of the time of writing:

- Time to implementation: the government expects that the first year of phase-in commence on April 1, 2020, which is less than 3 months from the announcement
- It is unknown how the impact of government decisions will be considered when measuring outcomes:
 - E.g., cuts to government funding leading to course sections being cut, thereby negatively impacting time-to-completion rates
- It is unknown how external factors will be considered when measuring outcomes:
 - E.g., a recession in Alberta negatively impacting graduate employment rates, through no fault of the University

¹ For an overview and discussion of various PBF systems around the world, please read "[Funding for Results in Higher Education](#)" by Alex Usher

- Some metrics may give institutions an incentive to “game the system”:
 - E.g., being more selective in admissions, with the assumption that top applicants will be more likely to finish their degrees on time, earn more post-graduation, etc.
- This model can only result in system-wide funding to post-secondary institutions going down; even if an institution can be judged as being “deserving” of a funding clawback, there is no mechanism to keep the lost funding within the post-secondary system (e.g., recirculating to other institutions, or financial aid)
- The “all stick, no carrot” approach means that institutions will be incentivized to “play it safe” and not take chances by innovating in pedagogy, service delivery, etc., out of fear of losing funding
- Some proposed metrics are already effectively incentivized by existing systems, making parts of the proposed model redundant:
 - E.g., institutions commonly compete for applicants by showing off their graduate employment and income rates, amongst other things, so they already have an incentive to do what they can to excel here
- Inclusion of any metric along the lines of time-to-completion or graduation rates will greatly reduce institutions’ willingness to accommodate students’ transfers between programs or institutions
- Automatically punishing underperforming institutions will leave them without resources to address their shortfalls, leading to a “death spiral” of further performance declines and resulting cuts
- Data sources and calculations for metrics are unclear; without fair metrics which allow institutions to contextualize results, some are at risk of being severely disadvantaged²
- While the announcement was presented as providing more predictability for institutions, the lack of clarity and detail means that predictability has actually decreased compared to what previously existed

² For example, see [this article regarding Portage College’s supposed low program completion rate](#)