

Do State Higher Education Incentives Lead to Improvements in Student Performance? Texas's Push for Carnegie R1 Universities.

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Abstract

A large body of research finds that increases in college quality lead to improved student outcomes. Carnegie R1 status is a well known measure of college quality that includes universities with the highest levels of research activity. Many flagship universities across the country are classified as R1 schools, and the demand for these institutions is high. Given the large increases in undergraduate enrollment, many of these universities face capacity constraints forcing students to enroll elsewhere. In an effort to address the increasing demand for high-quality post-secondary education the Texas legislature passed House Bill 51 in 2009. This legislation encouraged universities to achieve R1 status by matching gifts and grant funding for research with state dollars. Since 2009 the number of R1 institutions in Texas has increased from 3 to 9 universities. Despite this increase, there is scant research on whether these incentives to increase college quality have led to improvements in student outcomes, such as graduation rates and labor market returns. We use synthetic control methods and a combination of post-secondary administrative data and IPEDS to examine this important issue. Bolstering a university's capacity for research may provide indirect benefits to undergraduates, for instance through the hiring of high-quality faculty. However, whether this is actually the case is not clear. Several studies have examined the impacts of K-12 policies such as No Child Left Behind, which provides performance incentives with the ultimate goal of increasing the level of student learning. This paper adds to that literature by examining how performance incentives impact student outcomes in the space of higher-education.

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