

*Performance-Based Funding Council Hearing
Tuesday, January 21, 2025
Dr. Sara Thorndike, Senior Vice President for Finance & Business/Treasurer
The Pennsylvania State University*

Good morning, Leader Topper and fellow members of the Council, and welcome to Penn State.

On behalf of President Bendapudi and the entire Penn State leadership team, I am pleased to join you to discuss the *development and implementation* of Pennsylvania’s performance-based funding model.

For years, Penn State has been a strong advocate and supporter of this significant and meaningful policy shift in the way we partner with the state to support higher education. It’s important to acknowledge how far we’ve come – from the work that went into advocating for, drafting, negotiating, and ultimately passing Act 90 of 2024, to now the development and ultimately the implementation phase of performance-based funding. Thank you to the members of the Council and staff for your partnership and hard work in pushing this across the finish line.

Penn State views performance-based funding as a tool for higher education to work together with the commonwealth to focus on workforce and economic development, increase transparency and accountability for taxpayer funds, and generate increasingly meaningful outcomes for our students.

For too long, higher education funding in Pennsylvania has lacked clarity, fairness, and predictability. Appropriations for Penn State and its fellow state-related universities were last increased in 2019 and, in current dollars, Penn State’s funding today remains virtually unchanged from the year 2000 — despite nearly a quarter century of inflation and significant increases in instructional and operational costs. Further, Penn State receives the lowest funding on a per-student basis of any public university in Pennsylvania — and significantly so.

The need to increase funding for our three R1 Universities is evident, but the mechanism to do so has become outdated, and politically polarizing. We’re hopeful that collectively we can craft a transparent model that eliminates yearly funding uncertainty; grows the funding pie from year to year rather than just reallocating existing resources; and rewards universities with additional dollars for hitting agreed-upon, outcomes-based metrics that align with shared goals for workforce and economic development, college access and affordability, and positive student outcomes.

We'd like to frame our starting point for preferred metrics through the lens of input, throughput, and output:

- **“Input”**: The key indicator should include enrollment. Additional weights could be considered for students with certain characteristics, such as Pell Grant recipients, first-generation college students, etc. or for in-state vs. out-of-state enrollment.
- **“Throughput”**: Throughput should consider both progression and completion metrics. This could include first year retention rates, completion of credit milestones (30, 60, and 90 credit hours), and degree completion (number of graduates; additional weights could be

considered for students with certain characteristics, such as Pell Grant recipients, first-generation college students, etc.).

- **“Output”**: Suggested output, or workforce indicators, include completions high-demand fields critical to Pennsylvania’s continued economic and workforce development needs.

Metrics should be developed that allow for differences in institutional missions, student populations, and other characteristics unique to the structure of each university.

I’d be remiss if I didn’t point to the remaining equity problem surrounding per-student funding at state-related institutions. We feel strongly that performance-based funding should acknowledge institutions for their contributions, including the number of students an institution educates. We believe any new dollars moving forward should be more equitably distributed and more closely align Penn State’s per-student funding with funding received by the other institutions – and not to the detriment of our peers.

Finally, I’d like to thank the Tennessee Higher Education Commission for joining us today to talk about their performance-based funding model. While many states include a similar mix of metrics in their model, every state has uniquely applied metrics in a way that works for their respective state. Our exact funding model can and should be tailored for Pennsylvania, but we can only benefit from hearing what has worked, what hasn’t worked, lessons learned, and processes followed in other states.

I think it is particularly noteworthy that Tennessee has one of the highest higher education funding levels (per FTE) in the country; a growing statewide economy; and a strong historical perspective on performance-based funding, as the earliest state to adopt this model.

In summary, this is a critical but exciting time for public higher education in Pennsylvania. Penn State’s 170-year partnership with the commonwealth has continued because we’ve been willing to adapt to meet Pennsylvania’s needs. We remain an eager partner and are committed to accountability, and to demonstrating outcomes.

With the state’s support, we can continue aligning our programs with the commonwealth’s economic priorities and provide the highly skilled workforce necessary for Pennsylvania to compete nationally and globally.