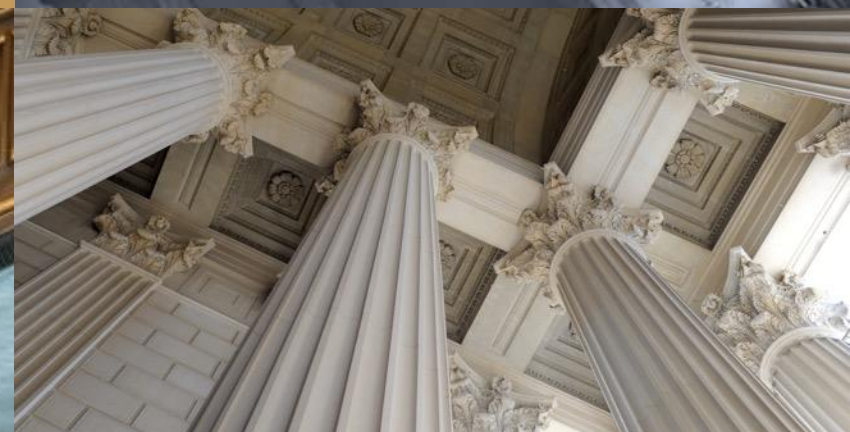




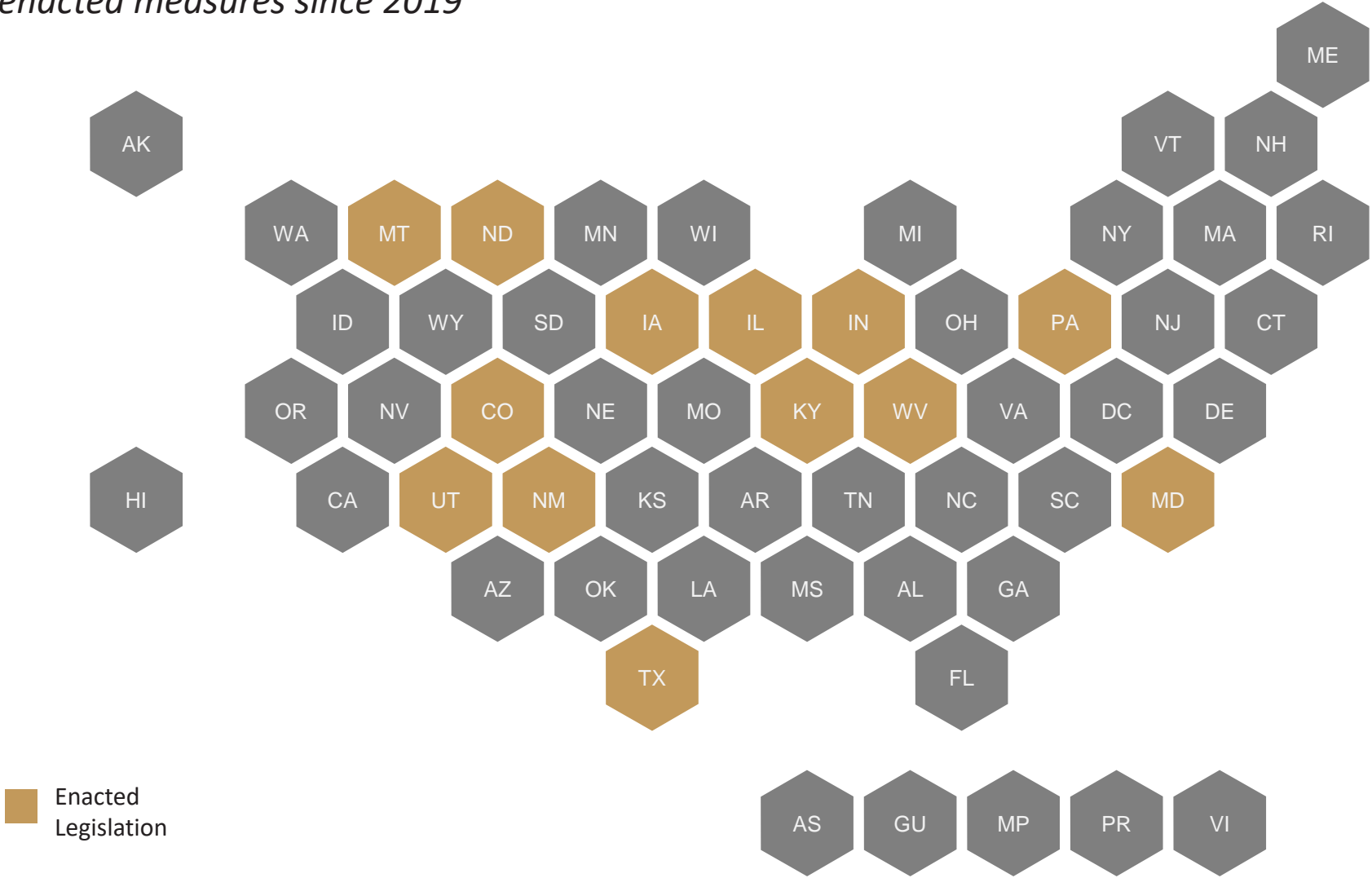
Legislative Overview: Postsecondary Performance-Based Funding

Andrew Smalley – Senior Policy Specialist



Recent State Legislation – State Performance-Based Funding Formulas

13 states have enacted measures since 2019

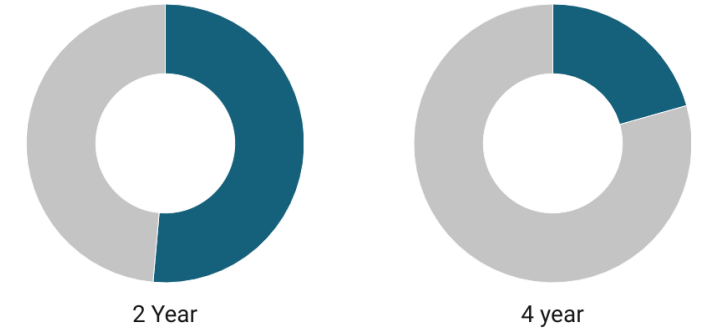


Source: NCSL Legislative Tracking

Higher Education Funding Overview

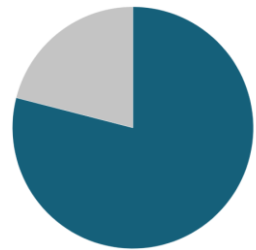
\$112 billion

State fiscal support for
higher education in FY
2023



State & local funding
comprises about:

- **51%** of revenue at public 2-year institutions
- **20%** of revenue at public 4-year institutions



79% of state funding is
allocated via direct
appropriation to
institutions for general
operations

Source: SHEEO State Higher Education Finance Report & IPEDS Dataset





Performance-Based Funding –National Landscape





30+ states

Use performance-based funding (PBF) for at least one higher education sector

9.5%

percentage of public operating funds allocated to **four-year institutions** through PBF

 Hawaii	0.3%
 Arkansas	1.8%
 Indiana	7.4%
 New Jersey	8.0%

 Nevada	21.7%
 Oregon	46.1%
 Tennessee	85.6%
 Ohio	97.6%

Source: SHEEO State Higher Education Finance Report

Most Common Funding Formula Metrics

Metric Type	Basic Measures	Advanced Iterations	Metric Focus
Degree or Credential Completion	<ul style="list-style-type: none"> Total number degrees awarded (per enrollments & yearly rolling averages) 	<ul style="list-style-type: none"> Degrees in priority workforce fields 	<i>Institutional productivity</i>
Retention & Persistence Rates	<ul style="list-style-type: none"> Freshman persistence rate Persistence at credit milestone 	<ul style="list-style-type: none"> Retention with GPA threshold 	<i>Student progression</i>
Graduation Rates	<ul style="list-style-type: none"> Graduation rates at milestones (4yr/6yr) 	<ul style="list-style-type: none"> Graduation rates by demographic groups YoY change in graduation rates 	<i>Timeliness</i>

Source: NCSL Legislative Analysis

Other Funding Formula Metrics

Metric Type	Basic Measures	Advanced Iterations	Metric Focus
Transfer	<ul style="list-style-type: none"> Transfer rate 	<ul style="list-style-type: none"> Additional value for community college students at 4yrs 	<i>System fluidity</i>
Research	<ul style="list-style-type: none"> Research expenditures Number of research grants 	<ul style="list-style-type: none"> Credentials held by faculty 	<i>Institutional research capacity</i>
Efficiency	<ul style="list-style-type: none"> % of administrative costs vs academic costs 	<ul style="list-style-type: none"> Degrees awarded per FTE 	<i>Cost control</i>
Employment & Earnings	<ul style="list-style-type: none"> Employment rate of graduates Earnings data for graduates 	<ul style="list-style-type: none"> Scores on graduate level or workforce credential exams 	<i>Student outcomes</i>

Source: NCSL Legislative Analysis

Policy Considerations

State Context	Design & Weighting	Model Sustainability
<ul style="list-style-type: none">• Alignment with state strategic plan & state attainment goal• Landscape of institutions & workforce systems• State financial aid	<ul style="list-style-type: none">• Extent of funding included in model• Weighting of metrics• Institutional provisions	<ul style="list-style-type: none">• Model evolution and amendment process• Shifting postsecondary landscape

State Example: Kentucky



Model History

- **2016** – Legislature approved Postsecondary Education Work Group to develop a funding model.
- **2017** – [SB 153](#) creates comprehensive funding model.
- **2021** – Postsecondary Education Working Group meets again to develop recommendations for model revision
 - **2021**- [SB 135](#) enacts revisions to create a funding floor based on FY2020-21 appropriations
- **2023** – Postsecondary Education Working Group meets again to [develop recommendations](#) for model revision.
 - **2024** – [SB 191](#) enacts revisions to funding model to revise weighting, removes race-based metrics, adds “nontraditional age students”

Metrics & Weighting (4 year)

Student Success	40%	Degree production, STEM+H degrees, low-income/ underrepresented students, student progression.
Course Completion	30%	Share of total credits earned
Maintenance & Operations	10%	Sq. footage for student learning
Institutional Support (admin)	10%	Share of instruction/student services spending
Academic Support (Libraries, etc.)	10%	Share of enrollment

Source: [Kentucky Council on Postsecondary Education](#)

State Example: Colorado



Model History

- **2014** – Legislature passes [HB 1319](#) requiring the development of a new base funding formula.
- **2015** – Model developed and implemented during appropriation process for FY2015-16
- **2020**- Legislature passes [HB 1366](#) revising the funding model
 - Shifts to 8 metrics as part of state strategic plan
- **2024** – Commission on Higher Education begins statutory review for the next version of the formula in 2025.

Funding Components



Performance Funding Metrics

Resident Full-Time Enrollment	10%
First Generation Resident Headcount Enrollment	5%
Credential Production	5%
Pell-Eligible Student Share	20%
Underrepresented Minority Student Share	20%
Retention Rate	20%
Graduation Rate (at 100% of normal time)	10%
Graduation Rate (at 150% of normal time)	10%

Source: [Colorado Department of Higher Education](#)



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