

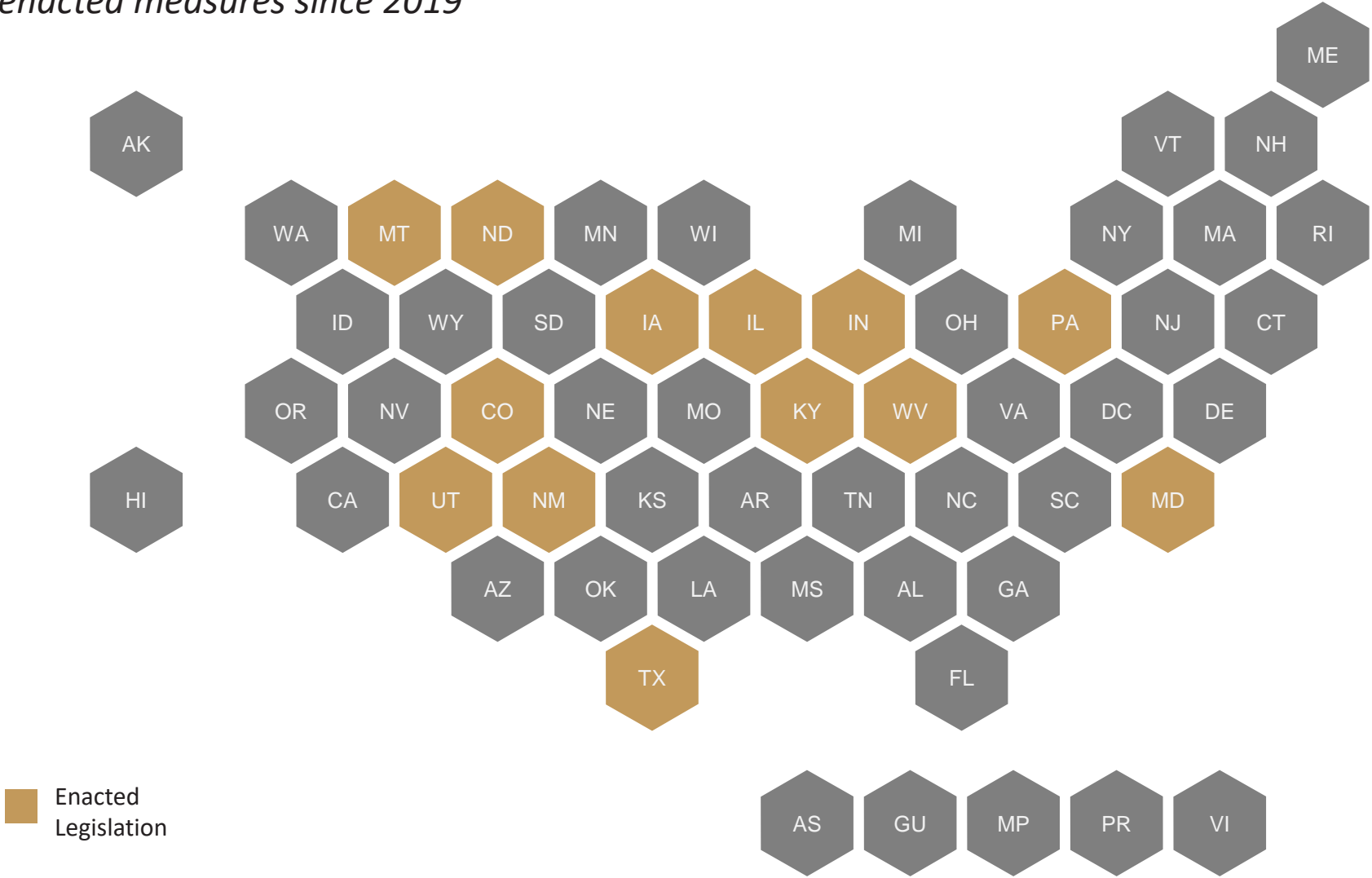
# Legislative Overview: Postsecondary Performance-Based Funding

*Andrew Smalley – Senior Policy Specialist*



# Recent State Legislation – State Performance-Based Funding Formulas

13 states have enacted measures since 2019

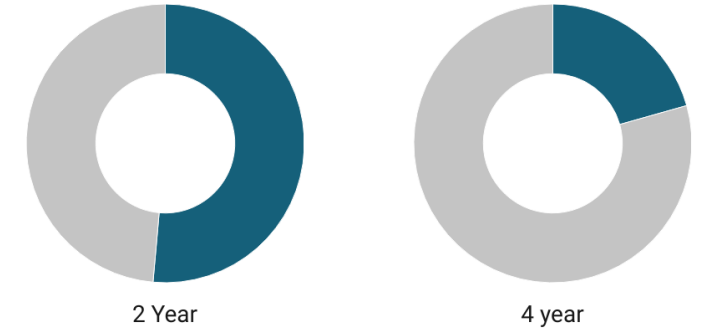


Source: NCSL Legislative Tracking

# Higher Education Funding Overview

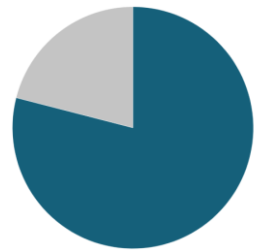
**\$112 billion**

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

Source: NCSL Legislative Analysis

# Other Funding Formula Metrics

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

Source: NCSL Legislative Analysis

# Policy Considerations

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

# 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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