

The History of Performance Funding in State Higher Education

Performance funding for state entities provides a financial incentive for agencies (or other state actors or contractors) to come up with innovative solutions to achieve better ultimate outcomes. Performance funding for higher education usually includes incentives for colleges and universities to improve academic success measures such as retention or graduation rates, or career success measures such as job placement or graduate earnings.

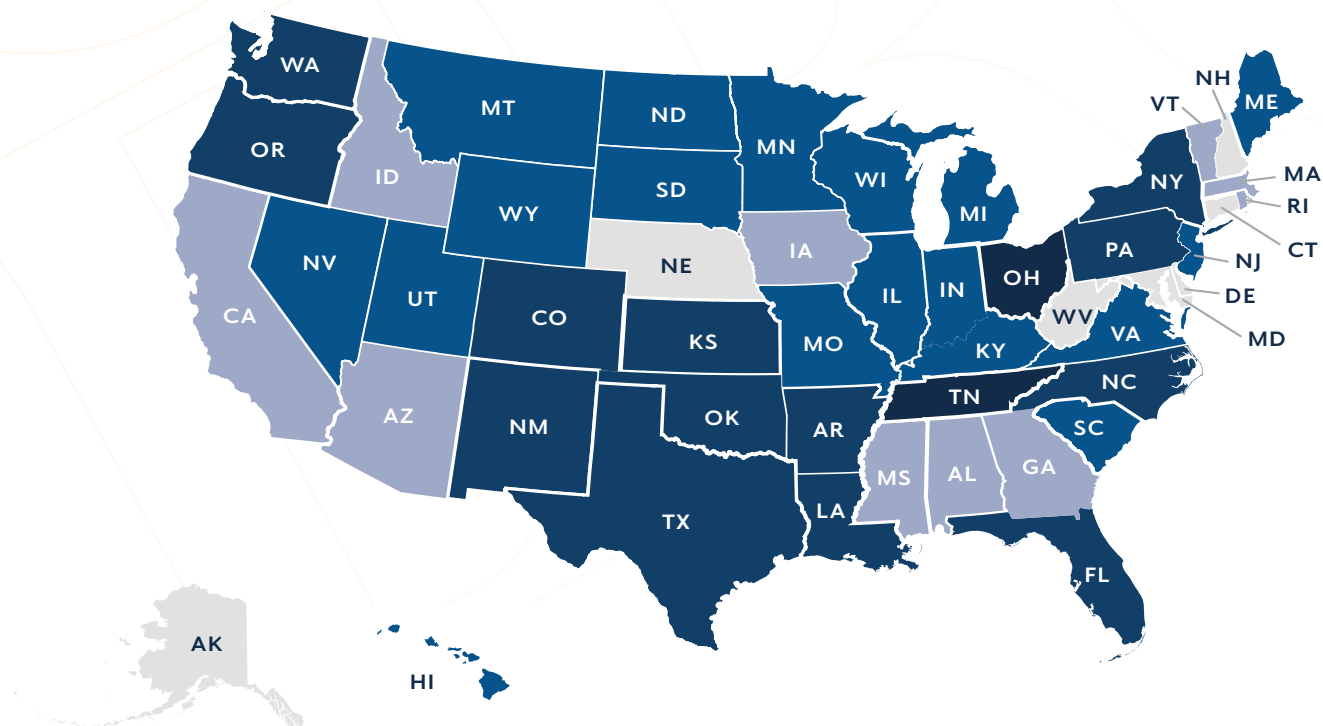
State-level performance funding for public higher education has a complex and storied history in the United States. As captured in the diagrams below, only seven states have never tried performance funding, and about half of states that tried and discontinued performance funding later reinstated it. Some states implement performance funding for just one higher education sector (usually technical or community colleges), while, of those that have performance funding for all public institutions, most have separate funding formulas for different types of institution. Some states, such as Tennessee, even have multiple performance funding formulas for the same institutions.

The funding formulas themselves vary widely as well. Some states only have one performance metric, such as the earnings-based funding formula at Texas State Technical Colleges or the credit completion funding formula in North Dakota. By contrast, other states such as Florida have a dozen or more performance metrics. Some formulas control part of the state's base funding for higher education, while some serve as bonus funding. And while some formulas control less than one percent of state funding for higher education, others control one hundred percent of state funding.

The following map does not capture many of these complexities, but instead presents the years during which each state has had performance funding for higher education. The color of each state represents the total number of years that state implemented any type of performance funding for higher education.

Total Years of Performance Funding in States

State Funding History Map

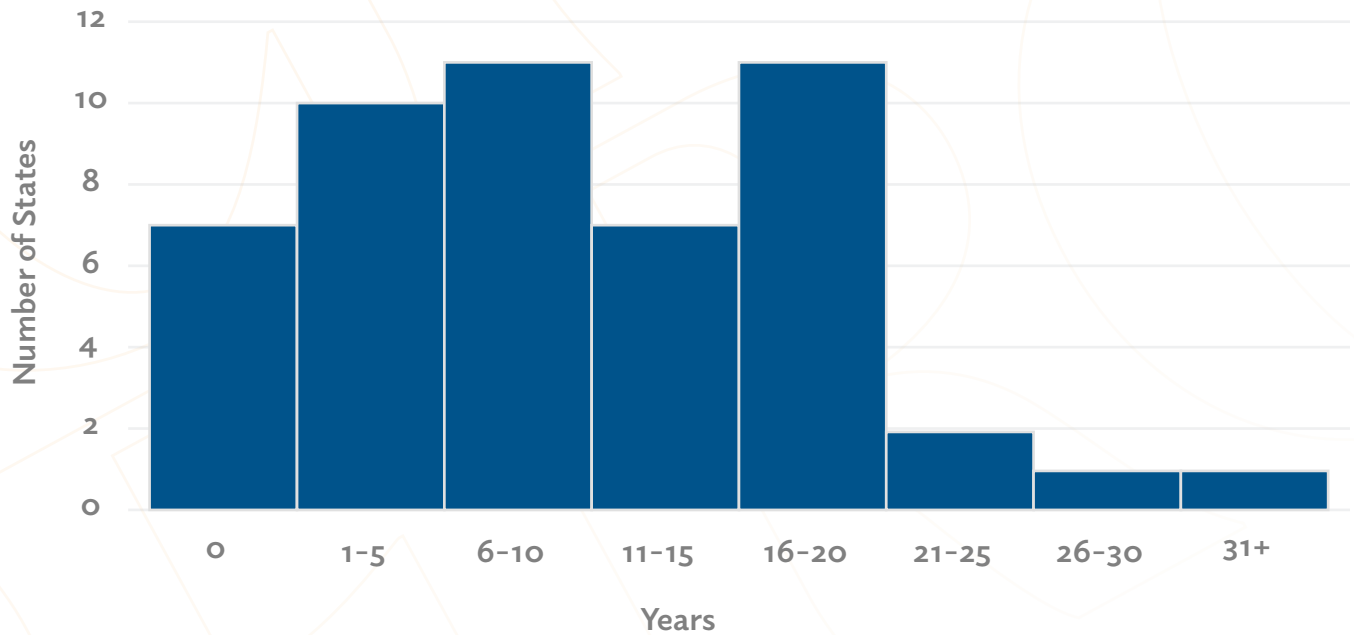


State	Years	Status
Alabama	2019—2021	No current PBF
Alaska	n/a	No PBF
Arizona	2012—2016	No current PBF
Arkansas	1995—1997 1999—2001 2007—2009 2011—current	Current PBF for two-year and four-year institutions
California	2019—present	Current PBF for two-year institutions only
Colorado	1994—1998 1999—2004 2011—2021	No current PBF
Connecticut	n/a	No current PBF
Delaware	n/a	No current PBF
Florida	1996—2008 2013—present	Current PBF for two-year and four-year institutions
Georgia	2006—2008 2015—2017	No current PBF
Hawaii	2011—present	Current PBF for two-year and four-year institutions
Idaho	2000—2005	No current PBF
Illinois	1998—2002 2011—present	Current PBF for two-year institutions only
Indiana	2007—present	Current PBF for two-year and four-year institutions
Iowa	2015—2017	No current PBF
Kansas	1998—2008 2013—2021	No current PBF
Kentucky	1994—1998 2018—present	Current PBF for two-year and four-year institutions
Louisiana	2001—2009 2010—2015 2016—2021	No current PBF

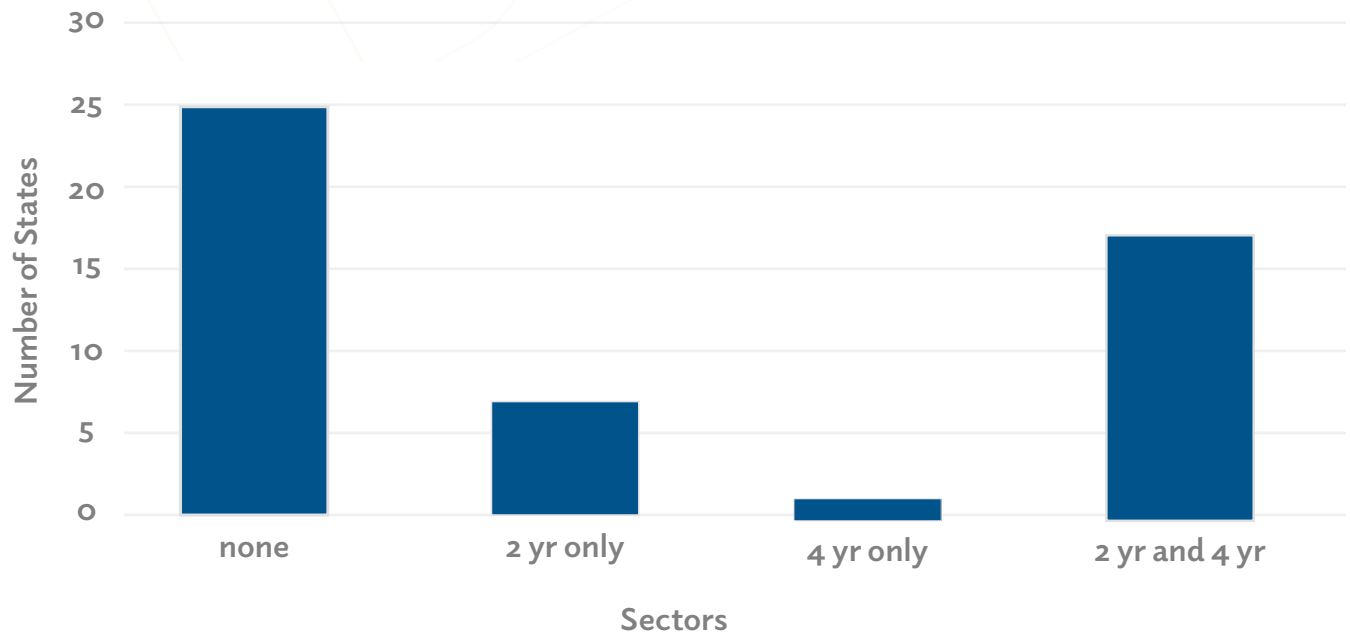
Maine	2013—2020	No current PBF
Maryland	n/a	No PBF
Massachusetts	2013—2017 2021—present	Current PBF for two-year institutions and four-year institutions not in the University of Massachusetts system
Michigan	2012—2021	No current PBF
Minnesota	1994—1998 2013—2018	No current PBF
Mississippi	2013—2016	No current PBF
Missouri	1993—2002 2013—2018	No current PBF
Montana	2013—present	Current PBF for two-year and four-year institutions
Nebraska	n/a	No current PBF
Nevada	2013—present	Current PBF for two-year and four-year institutions
New Hampshire	n/a	No current PBF
New Jersey	1993—2003 2020—present	Current PBF for four-year institutions only
New Mexico	2003—2011 2012—present	Current PBF for two-year and four-year institutions
New York	1998—2020	No current PBF
North Carolina	1998—2008 2012—present	Current PBF for two-year institutions only
North Dakota	2013—present	Current PBF for two-year and four-year institutions
Ohio	1995—present	Current PBF for two-year and four-year institutions
Oklahoma	1997—2000 2001—2011 2012—2015 2020—2021	No current PBF

Oregon	1999—2000 2007—present	Current PBF for two-year and four-year institutions
Pennsylvania	2000—2020	No current PBF
Rhode Island	2019—present	Current PBF for two-year and four-year institutions
South Carolina	1996—2002	No current PBF
South Dakota	1997—2002 2004—2013	No current PBF
Tennessee	1979—present	Current PBF for two-year and four-year institutions
Texas	1999—2003 2007—2011 2013—present	Current PBF for two-year institutions only
Utah	2013—present	Current PBF for two-year and four-year institutions
Vermont	2020—present	Current PBF for two-year institutions and four-year institutions in the Vermont State College System
Virginia	2005—2015 2017—present	Current PBF for two-year institutions only
Washington	1997—1999 2007—present	Current PBF for two-year institutions only
West Virginia	n/a	No PBF
Wisconsin	2013—present	Current PBF for two-year and four-year institutions
Wyoming	2012—2017 2019—present	Current PBF for two-year institutions only

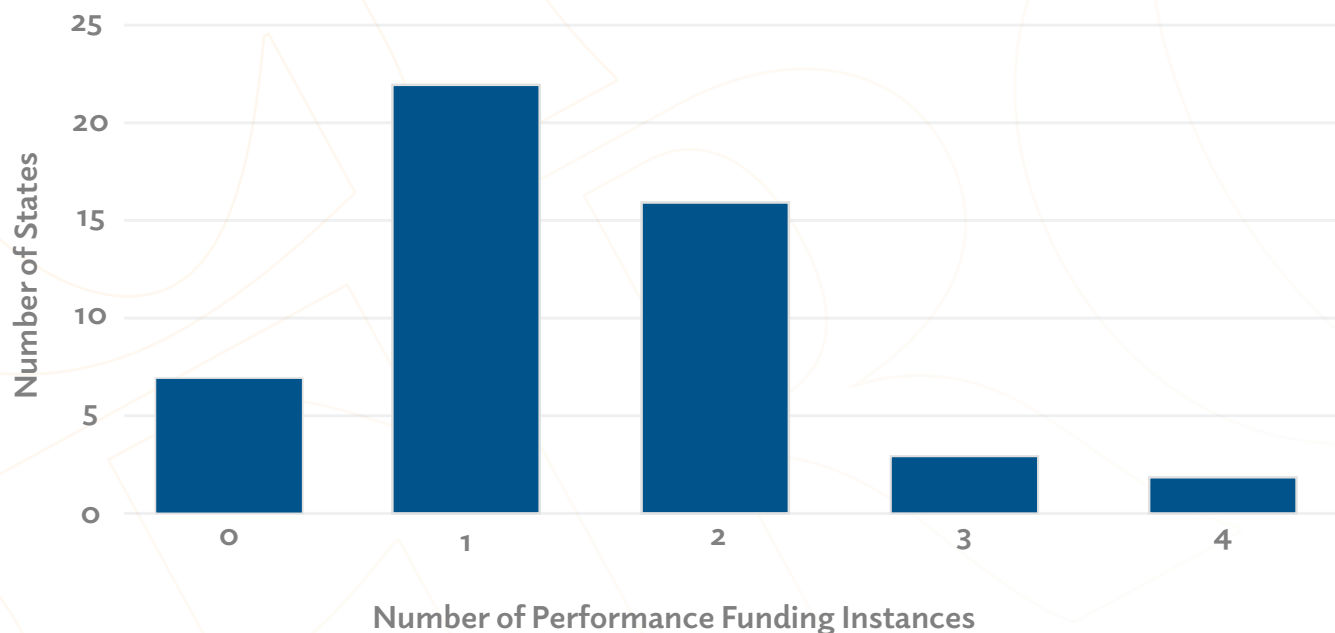
Total Years of Performance Funding in States



Current Performance Funding Sector Distribution



Number of Performance Funding Instances in States



Notes

Start years represent the first fiscal year that a performance funding scheme was authorized, even if actual performance funding did not begin that year (delayed implementation is common). This is to “acknowledge that ... institutions may begin reacting to the prospect of financial repercussions” (Dougherty and Natow).

End years represent the first fiscal year that funding is not allocated according to the performance funding formula, despite whether the legislation for the formula remains in place. If a program was authorized without a plan for delayed implementation, but was never funded by the legislature, the end year listed is two years after the start year to capture any initial anticipatory effects.

In addition to representing one unchanged performance funding formula, time spans of performance funding in the map may also represent overlapping formulas or formula changes without a discontinuation of performance funding. Each time span of performance funding seen on the map represents one instance in the chart “Number of Performance Funding Instances in States.”

Sources

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