



COMPLETION ACADEMY

Performance Funding

Shifting to performance funding requires implementing new funding models that tie funding to outcomes, thereby providing incentives for advancing and graduating students, not just enrolling them.

State appropriations typically are driven by enrollment with funding based on the number of students enrolled near the beginning of the academic term (also known as the census or count date). As a result, colleges have a financial incentive to boost enrollment at the start of the term, rather than make sure students successfully complete classes and earn degrees. Performance funding values outcomes (e.g., classes successfully completed, credentials awarded, etc.).

Strong policies and strategies should contain provisions to:

✓ ***Keep the formulae simple and transparent.***

- Start with a small number of explicit, easy-to-understand measures that are laser-focused on completion and specific priorities for improvement.
- Ensure that legislators and higher education officials support and fully understand the rationale and mechanics of performance funding formulae.
- Ensure that the formulae contain mechanisms specific to all sectors so that each can "win" with respect to their mission and the populations they serve.

✓ ***Appropriate funds toward the completion of a college certificate or degree.***

- Ensure performance funding measures represent the most critical data points to improve certificate and degree completion. Such measures should include:
 - Improvement in the number of annual certificates and degrees produced (not graduation rates),
 - Improvement in the number of "on-time" completions,
 - Improvement in the number of students successfully transferring from community colleges to four-year universities.

- Level the playing field
 - Include incentives for completion gains among hard to reach populations (e.g., low income students).
- Include incentives for college certificates and degrees that not only provide trained workers for current industry needs in the state, but also assist in attracting new employers to the state (e.g., STEM fields).

✓ ***Appropriate funds for progression toward a college certificate or degree.***

- Provide funding based on the number of courses completed rather than attempted (or simply change the count date on the current enrollment formulae from the beginning of the semester to the end of the semester).
- Ensure performance funding measures represent the most critical data points to improve progression toward a certificate or degree. Measures should include:
 - Improvement in the number of students completing college credit-bearing English and math courses within the first year,
 - Improvement in the number of students accumulating 15/30 credit hours within the first year, and
 - Improvement in the number of students returning each semester and year.

✓ ***Establish a strong state commitment to creating and sustaining performance based funding.***

- Start with a modest percentage of performance funding of 5% or more, then compound it over time.
- Designate both new money and, in hard times, budget cuts to colleges based on the same performance funding measures to ensure a cumulative effect.
- Do not guarantee a “hold-harmless” provision - failure without consequences is not performance funding. If necessary, utilize “stop-loss” policies instead, limiting the amount of funding lost to institutions that do not meet performance goals.