



COMMUNITY COLLEGE PERFORMANCE FUNDING

OVERVIEW AND MODEL POLICY

OVERVIEW

FAQs

What is performance funding?

Under performance funding, a portion of an educational institution's annual budget depends on student outcomes. For example, after completing a community college program, are students employed in a job that pays 80 percent of the state's median wage? In the traditional seat-time model, funding is based on the number of students enrolled in courses. Performance funding is also called outcomes-based or results-based funding.

Why use performance funding?

When well designed, performance funding incentivizes what matters most, student success. Performance funding can help spur innovation and the quality of education that a student receives.

How much does performance funding cost?

States can link as little as 10 percent of overall funding to performance, and it can include existing and/or new funding. Moreover, this money is provided only if students succeed.

Key Components

This policy incorporates best practices from various states that are using performance funding for community colleges, including Kentucky, Louisiana and Texas.

Meaningful Amount

To motivate community colleges to strive for successful student outcomes, bonuses must be at least 10 percent of the overall annual funding that a community college receives for a student. The model policy also mandates enough funding to pay for the bonuses so that community colleges feel certain they will receive the bonus funding they earned. In [Kentucky](#), 35 percent of a community college's funding is performance based.

The 3 Es: Employment, Enrollment and Enlistment

Effective performance funding focuses on the three most important outcomes for students: employment in a job that pays at least 80 percent of the state's median wage; enrollment in a postsecondary institution with a successful first semester; and enlistment in the military. The model policy prioritizes success after completion, with additional bonuses for making important progress during enrollment and successful completion. Bonuses are also increased when an outcome is associated with a high-skill, high-demand and high-wage job. For example, [Louisiana](#)'s performance funding prioritizes "four" and "five-star" jobs, which are those with the highest levels of demand, wages and growth potential.

Higher Bonuses for Higher-Need Students

Because some students require extra supports to succeed, well-designed performance funding provides substantially higher bonuses for success with higher-need students. [Texas](#) provides bonuses that are 50 percent higher for adult learners, 25 percent higher for economically disadvantaged students and 25 percent higher for academically disadvantaged students.



COMMUNITY COLLEGE PERFORMANCE FUNDING ACT

I. Definitions

- A. “The Agency” means the state agency that oversees community colleges.
- B. “Base funding” means the average revenue per full-time equivalent student that all community colleges are expected to receive during the current fiscal year from all sources.
 - 1) Base funding includes, but is not limited to, all state, local and federal funding, financial aid and tuition paid by students and families.
 - 2) Base funding excludes revenue restricted for building, buying or making substantial renovations to facilities.
- C. “Higher-need students” are students who likely require additional supports and services to achieve eligible outcomes, including the following categories of students:
 - 1) “Adult learners” -- students who are 25 years or older;
 - 2) “Economically disadvantaged students” -- students who are eligible for a federal Pell Grant;
 - 3) “Academically disadvantaged students” -- students who have not met the standards established by the Agency for college readiness; and
 - 4) Other categories of higher-need students as identified pursuant to section III.
- D. “Credit” means one semester credit hour or the equivalent.

II. Eligibility, bonus amounts and funding

- A. There shall be a community college performance funding program (“program”).
- B. Each community college shall receive bonuses for each student that achieves one of the eligible outcomes during a fiscal year.
- C. The eligible outcomes shall include:
 - 1) Making important progress during enrollment, e.g., earning at least 15 credits for a certificate or degree requiring 30 credits or more;
 - 2) Successful completion, e.g. earning a certificate requiring 30 credits or more or an associate degree; and
 - 3) Success after completion, e.g., employment in a job that earns near the state median wage or transferring to a four-year institution with a successful first semester.¹
- D. The bonuses for each outcome, as a percentage of base funding, shall provide a meaningful amount necessary to incentivize improvement, provided that:
 - 1) The largest bonuses shall be for success after completion.

¹ For an illustration of eligible outcomes and bonuses, see the Appendix.



- 2) The bonuses shall be substantially [X percent] higher for high-value outcomes, which are those associated with a high-skill, high-wage, high-demand job.
 - 3) The bonuses shall be substantially [X percent] higher for higher-need students, as defined pursuant to Section I.
 - 4) A community college is eligible for a bonus only if it provided to a student at least 50 percent of the credits associated with that outcome.
 - 5) A community college can receive only one bonus for an individual student in the same fiscal year. If a student achieves more than one eligible outcome in a fiscal year, the bonus for that student shall be the largest one for which the student is eligible.
 - 6) An individual student is eligible for only one supplement for higher need. If an individual student is eligible for more than one category of higher need in a fiscal year, the supplemental bonus for that student shall be for the category with the highest percent above the bonus for other students.
- E. Each fiscal year, the state shall appropriate the funding necessary to provide the bonus funding that community colleges earned by achieving eligible student outcomes during the previous fiscal year.

III. Implementation

- A. The Agency shall establish a Community College Performance Funding Advisory Committee (“Advisory Committee”).²
- B. In consultation with the Advisory Committee, the Agency shall issue regulations as necessary to implement this program, provided that the program will go into effect for the fiscal year following enactment.
- C. In consultation with the Advisory Committee, the Agency shall determine on an annual basis which outcomes are high value, using labor market data, accounting for both statewide and regional workforce demand.
- D. Subject to appropriation, the Agency shall, directly, through third parties or a combination thereof, provide technical support to community colleges to understand the data determining their eligibility for bonus funding and to identify and implement strategies to improve eligibility, particularly for higher-need students.
- E. For the third year of bonus funding and for each third year thereafter, the Agency may, in consultation with the Advisory Committee and subject to appropriation:
 - 1) Adjust the bonus amount for each outcome to improve the degree to which the bonus is incentivizing significant improvements in the outcome.
 - 2) Adjust the supplemental bonus percent for each category of higher-need students to reflect the differences in success rates between that category of higher-need student and other students.
 - 3) Define other categories of students who are not achieving similar success rates as other students on the outcomes identified in section II and whose identification is not easily subject to manipulation to earn supplemental bonus funding.

² The Appendix provides more specific ideas on the makeup of the Advisory Committee.



- 4) Determine the supplemental bonus percent for each new category of students, provided that it is substantial and reflects the differences in success rates between that category of higher-need student and other students.
- F. Each year, the Agency shall, in a consultation of the Advisory Committee, publish a report on the implementation and impact of the program.
- 1) The report shall include, for the entire state and each community college, data that shows:
 - (a) The number and percentage of students eligible for bonus funding for each eligible outcome and for each category of higher-need student.
 - (b) The bonus funding earned for each eligible outcome and each category of higher-need students.
 - 2) Topics in each report shall include, but are not limited to:
 - (a) Whether any or all of the bonus percentages need to be adjusted to achieve the purpose of this program.
 - (b) Any changes and improvements to data collection to improve accuracy and timeliness of bonus determinations.
- IV. **Effective date:** This act shall take effect upon becoming law.



APPENDIX

Illustrative chart

The chart below illustrates the model policy’s bonuses for each eligible outcome as a percent above base funding. Higher-value outcomes receive higher bonuses as does success with higher-need students. A student can earn a bonus during *each stage*: during enrollment; upon completion; and then post-completion.

Eligible Outcomes	Percent Above Base			
	Basic Outcome		High-Value Outcome	
	General Student	Higher-Need Student	General Student	Higher-Need Student
<i>Making Important Progress During Enrollment</i>				
Earning at least 15 credits of dual enrollment	5%	10%	10%	20%
Earning at least 15 credits for a certificate or degree requiring 30 credits or more	5%	10%	10%	20%
Earning at least 30 credits for a certificate or degree requiring 60 credits or more	5%	10%	10%	20%
<i>Successful Completion</i>				
Certificate requiring less than 30 credits	5%	10%	10%	30%
Certificate requiring 30 credits or more	10%	20%	20%	40%
Associate degree	10%	20%	20%	40%
Bachelor’s degree	10%	20%	20%	40%
<i>Success After Completion</i>				
Successfully transferring to a four-year postsecondary institution, i.e., earning at least 15 college credits with at least a 2.0 grade point average during the first semester	20%	40%	20%	80%
Six months after earning a certificate or degree, employed in a job that earns at least 80 percent of the statewide median wage	20%	40%	40%	80%

Advisory Committee

- A. The Agency shall establish a Community College Performance Funding Advisory Committee (“Advisory Committee”).
 - 1) Membership of the Advisory Committee shall include:
 - (a) Community college administrators;
 - (b) Leaders of state agencies responsible for K-12 education, higher education and workforce development;
 - (c) Current students and recent graduates of community colleges; and
 - (d) Leaders of private organizations that employ community college graduates to a significant degree.
 - 2) Provided that:
 - (a) A majority of members of the Advisory Committee shall have direct connections with community colleges serving a higher-than-state-average percentage of higher-need students.
 - (b) Members who are employed by or serve on the boards of community colleges shall make up a minority of the Advisory Committee.