



Performance Funding: Paying for What Matters

Frequently Asked Questions | 2024

What is performance funding?

Under **performance funding**, a portion of school funding is based on student outcomes. In a traditional, or seat-time, funding model, schools receive money based on the number of students enrolled in or attending a school. Performance funding is also called outcomes-based or results-based funding.

What are the benefits?

Under performance funding, states can pay for what really matters--student success, not just whether a student is enrolled. It incentivizes improved outcomes and innovation. School leaders can implement the strategies they feel are best suited to their students. One **study** found a 23-percent increase in student growth.

What are the best outcomes to use?

States can focus on the ultimate goals of schools. **Texas** and **Tennessee**, for example, are providing bonuses for graduating students who are college or career ready. Even better is rewarding actual postsecondary success.



Spotlight on **Texas**

For each student who graduates college, career or military ready, schools receive \$3,000. If the student is low-income, the bonus is \$5,000. For students with disabilities: \$7,000. Schools are receiving **technical assistance** on improvement strategies.



Spotlight on **Tennessee**

For each college or career ready graduate, schools receive 10 percent above base funding, currently at about \$7,000. The bonus is 20 percent for low-income students, English learners and students with disabilities.

How much does it cost?

States can **drive change** when 10 percent of funding is linked to student outcomes, with the rest allocated traditionally. Under performance funding, the state is spending money only when there is student success. Also, successful graduates generate financial and other benefits to the state.

Is it fair?

To ensure a level field for all schools, states can provide greater rewards for success with students who are low-income, disabled or English learners. In **Texas**, the bonuses are more than 60 percent higher. **Tennessee** provides double bonuses for higher-need students.

What does success require?

States can help schools identify and implement improvement strategies, by arranging for technical assistance, facilitating collaboration among schools and intensifying support for struggling schools.

What are opportunities for states to implement or expand performance funding?

States can consider performance funding on its own or as part of a broader school funding initiative, to ensure that some of the investment is linked to improved student outcomes.

How does performance funding relate to accountability?

Strong **A-F school grading** can drive improved outcomes. Performance funding needs to push schools in the same direction as the accountability system. Accountability and performance funding are part of a **package of state policies** that drive more effective use of resources.

How does this relate to funding for higher-value career technical programs?

States can provide **additional resources** to career technical programs that are designed to lead to higher-wage careers. Performance funding rewards programs when students actually complete high-value industry credentials and get higher-wage jobs.

What are additional resources to learn more and receive support?

To read more: ExcelinEd, *[Rewarding Success for All Students](#)* (2021); ExcelinEd, *[Conceptual Framework for Performance Funding](#)* (2018). A model policy: ExcelinEd, *[College and Career Outcomes Bonus](#)*.

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