

Mission-Focused State Performance-based Funding Systems Can Enhance Student and Institutional Outcomes

Legislation that links state higher education appropriations to select institutional outcomes, commonly known as performance-based funding (PBF), is an increasingly popular financing policy mechanism that has been embedded in Michigan’s higher education budget since 2013. The PBF distribution formula should be a collaborative effort among key stakeholders to build an incentive structure that respects and reinforces campus missions; encourages campuses to recruit, retain, and graduate low-income and nontraditional students; and remains compatible with state higher education, workforce, research, and economic goals. Further, short of refinements achieved through consensus, the formula should remain consistent so that institutions have a clear and sustained set of state objectives which to pursue.

Policy Action:

- Continue the utilization of a state performance-based funding system in which formula refinements involve input from public university leaders and that awards state appropriation allotments that support the missions of individual institutions.