This is another in a series of reflections by IHELP’s executive director.

**Thoughts about Performance Funding in Postsecondary Education**

Don’t stop reading just yet! Give me a chance to add something that may be a bit different from what you’ve read or thought about this topic lately. I have thought long and hard about performance funding for years and my views are evolving, which may explain why I sometimes have trouble communicating them. Here I hope to make just three points about a topic that I could write a lot more on.

***Need for a better name***

I dislike the term “performance funding” because it may imply that external arbiters are judging college faculty and staff who are “performing.” Some people prefer “incentive funding” but that can raise hackles of those who get up every day to help students succeed and don’t believe they need any incentive to do so. Another term in use is “outcomes-based funding” which has the advantage of acknowledging that different states value different outcomes for postsecondary education, depending on circumstances and priorities. I prefer something that includes the word “investment” to get us to think about why and how we, as taxpayers, invest in public postsecondary education in the first place and to design finance policies that, in effect, put our money where our mouths are – see my next point. For the essay, however, I will use “performance funding,” since that’s what it is currently called.

***Need for a better paradigm***

I think the effort to introduce some incentives to improve outcomes from postsecondary education took an unfortunate turn and our collective minds got stuck in an unhelpful paradigm of *rewarding performance after the fact*. For decades – and continuing today – it is almost always assumed that the way to implement performance funding is to define performance, observe how institutions perform, and then reward the high performers afterward. This is unhelpful, and potentially counterproductive, for many reasons: it requires arbitrary targets to be set and argued over; it sends the message that institutions are funded, up front, absent consideration of outcomes, and are expected to achieve the desired outcomes only if special funding becomes available; it forces only small amounts of funds to be formally dedicated to improving performance, so as not to hinder fiscal planning; it raises the specter of punishing low-performing institutions by withholding funds; and it increases the chances that lawmakers will axe performance funds when they see that performance problems are not fixed. Most problematic, by addressing performance on the back end of finance policy instead of the front end – the *investment* end – it fails to signal what outcomes the public values, and should expect, from investing in postsecondary education. Performance funding plans contain outcomes that some set of stakeholders has judged to be of value. A finance formula that allocates funds based on enrollment, and addresses these *other* valued outcomes only later, and only for those institutions that *perform,* does not properly convey to institutions and to the broader public the value of the enterprise, in addition to access. For example, if increasing access and degree completion among low-income students are top priorities for a state, it would follow that a state funding formula would include factors that recognize enrollment of, and degrees awarded to, Pell grant recipients.

***A constant quest to invest public resources wisely***

For me, performance funding is not good or bad, on or off, in or out. Rather, education and policy leaders should be on a constant quest to invest taxpayer money in ways that align with, and promote, the public good. The last few decades have seen the evolution of new approaches to performance funding that aim to do a better job of reaching consensus of what that public good is and how it can best be promoted through public investment in postsecondary education. More collegial processes are being used to develop the plans, outcomes are being chosen that better reflect the different missions of institutions, and at least some shift is occurring away from the “reward performance” paradigm to the “invest in outcomes” paradigm. With different states taking different approaches, there is a rich potential evidence base emerging from which researchers and practitioners should be able to draw to begin to understand whether any of these approaches are having the intended effect. I would expect this inquiry to lead to more evolution in the design of fiscal policy, including of performance funding. Ever-important parallel inquiry is occurring into the on-the-ground practices that will improve student success. The joint goal of the two lines of inquiry is to create incentives for more innovation and more implementation of effective practices, all focused on helping a larger proportion of students reach their educational goals. The stakes are too high to declare victory or defeat. We need to keep searching for ways to invest in success.