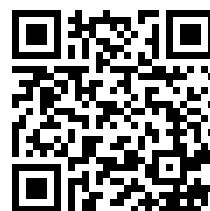


EDUCATION

Idaho should embrace performance-based funding for higher education

By Sam Cardwell
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INTRODUCTION

If and where to attend college can be a life-changing decision with significant impacts on an individual's future job opportunities and potential debt liabilities. Students, parents, and policymakers all have a vested interest in ensuring the return on investment is worth the considerable expense. This is why there's a need for states to focus on performance-based funding formulas for higher education. States across the country currently differ on their approach to funding higher education institutions. Some formulas are based on enrollment numbers, and others have a minimum number that their funding cannot go below. In recent years, there has been a push towards using performance-based formulas.

In 2023, Texas and Tennessee decided to reward their institutions based on achieving performance metrics rather than supporting subpar outcomes. This means they are funded based on outcomes such as certificates, degrees, and credits earned. The aim of this is to prepare students for the workforce. Idaho's higher education institutions are currently providing funding based on enrollment instead of outcomes. Some state lawmakers are looking to change that.

FUND RESULTS, NOT JUST ENROLLMENT

The study calls for funding tied to measurable student outcomes, with transparency for families and stable budgets for institutions.

The state should define what it wants higher education to achieve, then reward those outcomes.

Idaho is exploring performance-based funding

Former Representative Wendy Horman, then co-chair of the Joint Finance and Appropriations Committee (JFAC), stated in 2025 that using outcome-based funding means “rewarding people who are succeeding and improving and demonstrating growth.”¹

Representative Steven Miller also noted in 2025 that colleges and universities are going “to have to relearn how to do business ... they’re going to have to reshape, and if they don’t understand that they are going to suffer losses one way or another.” He further explained, “A college or university’s ultimate goal should be to help students graduate at the lowest cost possible while still ensuring they enter the workforce and find the best opportunity. If the institutions want to do other things, they need to figure out how to finance those other things.”²

There are three basic approaches that policymakers in the U.S. have taken for higher education funding formulas.³ The enrollment-based model looks at the headcount of students at the institution and budgets accordingly. There is usually a base number per student, and that number will fluctuate by year. The base-adjusted formula uses a mechanism to make sure that university funding doesn’t drop below a certain point or retain a minimum share of funding. The performance-based model looks at certain outcomes and provides funding based on objectives that policymakers want the university to achieve. 32 states currently use some type of performance funding approach. Obviously, some formulas can mix multiple approaches, but for the most part, they can be separated into those subtypes. Idaho currently uses the enrollment-based approach.

ENROLLMENT-BASED

Funding follows student headcount.

BASE-ADJUSTED

A minimum funding level or share is preserved.

PERFORMANCE-BASED

Funding rewards measurable student outcomes.

¹ “A higher ed funding change is coming, state leaders say. Not everyone will be happy with it,” Idaho Education News, May 20, 2025. Available at: <https://www.idahoednews.org/news/a-higher-ed-funding-change-is-coming-state-leaders-say-not-everyone-will-be-happy-with-it>

² IBID.

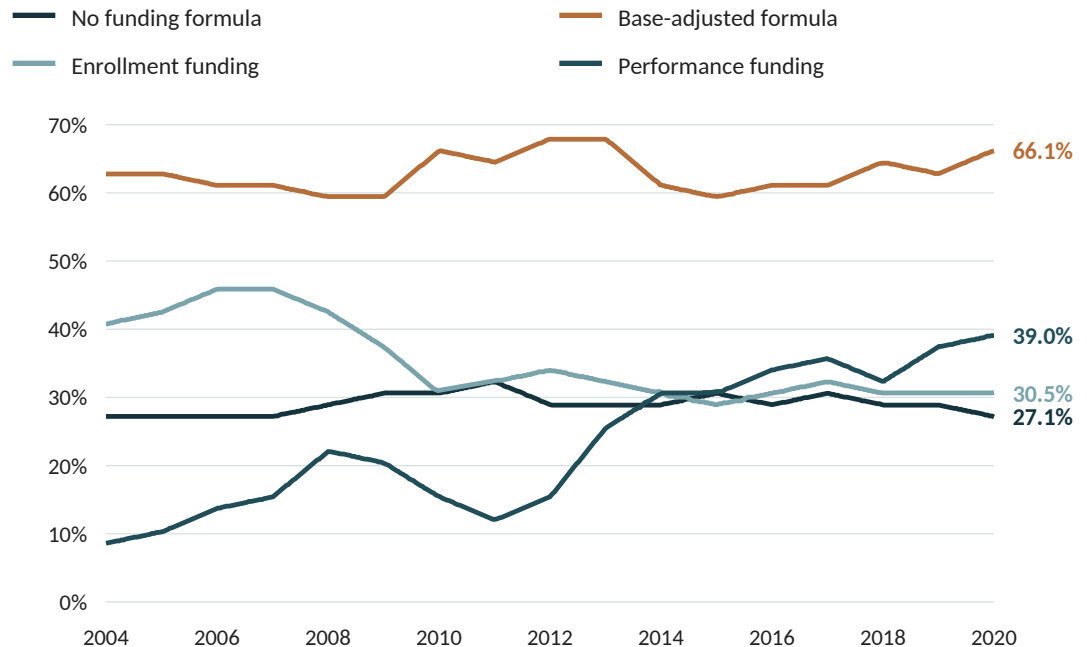
³ “Designing State Funding Formulas for Public Higher Education to Center Equity,” Brookings, August 9, 2024. Available at: <https://www.brookings.edu/articles/designing-state-funding-formulas-for-public-higher-education-to-center-equity>

Students and families need clear information about costs, career opportunities, and graduate earnings.

During the last 15 years, there has been an increased use of performance-based funding formulas across the country for higher education.

Public four-year college systems using funding formulas

Share of systems with each component, 2004-2020



Source: Informed States State Funding Mechanisms Dataset (2023), via Brookings.

Taxpayers want to fund institutions that are effective. Some educational data can be subjective in the qualitative sense, but there are plenty of quantitative, objective, and measurable outcomes for higher education institutions.

There are different ways to implement a performance-based model, but a popular metric to consider is post-graduation job placements. While this data may be hard and time-consuming to find, this is a great marker for the public to gauge an institution's effectiveness. Budget writers can also reward schools with funding if they provide training for jobs in high-demand areas or in developing fields. A simple way to think about it is that the state must determine the true purpose of the institution and then incentivize its higher education institutions to meet that purpose.

Performance metrics should reflect each institution's mission and preserve predictable budgets.

Transparency is important for the use of performance-based funding

There is a growing conversation about the risk and reward of obtaining a college degree nowadays due to the enormous cost. Some colleges continue to ramp up their tuition while providing classes and degrees that prove to have little efficacy in the workplace. For example, the University of Houston provides classes on foresight - the ability to predict the future, while Georgetown offers a class on "Philosophy and Star Trek."⁴

One additional reform policymakers should consider is enacting the Career Transparency Act (CTA). This reform would look to hold institutions accountable by requiring them to provide statistics on the top 25 high-demand jobs in the state, the cost of obtaining the degree or certificate at each state institution, and the median wage that graduates with that certificate or degree earn. Transparency needs to be considered while students and post-secondary institutions are both trying to set themselves up for success.

Structure of performance-based metrics

Different higher education institutions serve a slightly different purpose. This means performance metrics will vary. For example, a community college and university should not base their funding on job placements in their field within one year, because a majority of community college graduates go on to earn their bachelor's degree in another two years and don't go directly into their field. There are also certain technical colleges that aim to equip students who are going into a particularly difficult niche job market, and numbers such as job placements upon graduation may be skewed.

Some policymakers prefer having a set amount of funds that may be "at risk" if the university fails its target goal. Others prefer a number that can be multiplied by the percentage of graduates who secure a job upon graduation. There is also diversity within bonus structures. A low flat base fund may be added with other funds that will become available upon achieving a target metric.

Idaho doesn't have to deal with a ton of different performance outcome variances, as there are only eight institutions that could be affected. There is only one public non-university college, which is Lewis-Clark State. Idaho State University, the University of Idaho, and Boise State University make up the public universities. There are also four regional community colleges: North Idaho College, College of Southern Idaho, College of Western Idaho, and College of Eastern Idaho.

CAREER TRANSPARENCY ACT

The proposal would disclose high-demand jobs, the cost of a degree or certificate, and graduates' median earnings.

⁴ "The Cost of College and Need for a Career Transparency Act," Mountain States Policy Center, February 2024. Available at https://www.mountainstatespolicy.org/_files/ugd/f1dfe7_70e8000533de4b49bf226a6e064936e5.pdf

FLORIDA'S MODEL

10

Performance metrics and factors

Performance metrics should reflect institutional missions while preserving budget stability.

Nothing in this publication shall be construed as an attempt to aid or hinder the passage of any legislation.

One important factor to consider is budget stability for the higher education institution. It is important that the budget is somewhat predictable and that funding levels don't wildly swing up and down on a year-to-year basis. There needs to be consideration for long-term planning and short-term budgeting.

Overall, the national data shows that performance-based formulas make a positive impact on the job market and degree completions. Indiana is a great example of this. The Hoosier State initially started with 1% of higher education funding being allocated through outcome metrics, to eventually reaching 6%. During this time, there was a 22% degree completion rate for "high-impact degrees."⁵

Florida decided to adopt 10 metrics and factors to consider in its higher education funding formula:

- Percent of Bachelor's Graduates Employed (Earning \$25,000+) or Continuing their Education.
- Median Wages of Bachelor's Graduates Employed Full-time.
- Average Cost to the Student (Net Tuition per 120 Credit Hours).
- Four-Year Graduation Rate (Full-time FTIC).
- Academic Progress Rate (2nd Year Retention with GPA Above 2.0).
- Bachelor's Degrees Awarded in Areas of Strategic Emphasis.
- University Access Rate (Percent of Undergraduates with a Pell-grant).
- A) Graduate Degrees Awarded in Areas of Strategic Emphasis; B) Freshman in Top 10% of Graduating High School Class.
- A) Two-Year Graduation Rate for Transfers; B) Six-Year Graduation Rate for Students Who Are Awarded a Pell Grant in First Year; C) Academic Progress Rate and 2nd Year Retention Rate for Pell Grant Recipients.
- Board of Trustees Choice Metric Applicable to the Mission of that University.⁶

After adopting these performance-based funding metrics, Florida's four-year higher education graduation rate increased by 14.5% from the 2009-2013 period to the 2016-2020 period.

Conclusion

Competitive higher education institutions focused on meeting performance-based outcomes is what Idaho deserves. To ensure that taxpayers, parents, and students achieve a strong return for their considerable investment, the Gem State should use performance-based funding for higher education. Other states across the nation have realized the benefits of a performance-based funding model, and Idaho should join them in promoting accountability, transparency, and efficiency for its higher education system.

⁵ "PERFORMANCE-BASED FUNDING IN HIGHER EDUCATION," February 2023. Available at: <https://www.statechamberresearch.org/wp-content/uploads/2024/07/Performance-Based-Funding-in-Higher-Education.pdf>

⁶ "Board of Governors Performance Funding Model Overview," State University System of Florida, March 2021. Available at: <https://www.flbog.edu/wp-content/uploads/Overview-Doc-Performance-Funding-10-Metric-Model-Condensed-Version-Mar-2021.pdf>

SUMMARY & KEY FACTS

The study argues that Idaho should move from enrollment-based higher education funding toward formulas that reward measurable student outcomes. It recommends metrics tailored to institutional missions, stronger career and cost transparency, and safeguards that maintain budget stability.

- Funding should reward degree completion, workforce preparation, and other measurable results.
- The study identifies 32 states using some form of performance funding.
- Idaho's eight public institutions have different missions and need appropriate metrics.
- Career transparency should connect program costs with graduate earnings.
- Budget stability should support both long-term planning and annual operations.

ABOUT THE AUTHOR

Sam Cardwell is an alumnus of the University of Washington and Liberty University, obtaining a bachelor's degree in political science. Sam has worked on multiple legislative and congressional campaigns across Washington State. He has experience in the governmental sphere as a legislative intern and a session aide at the Washington State Legislature.



Sam is the author of several MSPC studies, including *Adopting a new income tax liability threshold* and *Powering the Mountain States: A snapshot of the region's energy portfolio*. His work has appeared in many local news publications and was featured on "Hannity" on Fox News Channel.

