AN ACT

Establishing the Performance-based Funding Council and providing for its powers and duties.

AMENDING THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), ENTITLED "AN ACT RELATING TO THE PUBLIC SCHOOL SYSTEM, INCLUDING CERTAIN PROVISIONS APPLICABLE AS WELL TO PRIVATE AND PAROCHIAL SCHOOLS; AMENDING, REVISING, CONSOLIDATING AND CHANGING THE LAWS RELATING THERETO," PROVIDING FOR INSTITUTIONS OF HIGHER EDUCATION AND FOR PERFORMANCE-BASED FUNDING COUNCIL.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Performance-based Funding Council Act.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Council." The Performance-based Funding Council established by this act.
"Department." The Department of Education of the Commonwealth.

"State-related university." The following institutions:

(1) The Pennsylvania State University.
(2) The University of Pittsburgh.
(3) Temple University.

Section 3. Performance-based Funding Council.

(a) Establishment.--The Performance-based Funding Council is established for the purpose of the development of a new system to distribute funding to the State-related universities. The system shall utilize performance-based metrics designed to increase degree attainment, encourage affordability in higher education, meet workforce needs and grow the economy.

(b) Membership.--

(1) The council shall consist of voting members appointed under paragraph (2) and nonvoting members, who shall serve in an advisory role, described under paragraph (3).

(2) The voting members of the council shall be:

(i) An individual appointed by the Governor.
(ii) An individual appointed by the President pro tempore of the Senate.
(iii) An individual appointed by the Minority Leader of the Senate.
(iv) An individual appointed by the Speaker of the House of Representatives.
(v) An individual appointed by the Minority Leader of the House of Representatives.

(3) The nonvoting members of the council shall be:

(i) The President of The Pennsylvania State
University or a designee.

(ii) The President of the University of Pittsburgh or a designee.

(iii) The President of Temple University or a designee.

(4) An individual appointed under paragraph (2) may not be employed by or serve on the governing body of a State-related university or other university or college in this

Commonwealth.

(c) Chairperson.--The voting members of the council shall appoint a member to serve as the chairperson.

(d) Council meetings.--The meetings of the council shall be held bimonthly and at the call of the chairperson as necessary and shall be conducted in accordance with the requirements of 65 Pa.C.S. Ch. 7 (relating to open meetings).

(e) Quorum.--A majority of the voting members of the council shall constitute a quorum, and a quorum shall be required to vote on actions to be taken by the council.

(f) Council actions.--A two-thirds vote of the voting members of the council shall be required for all actions taken by the council.

(g) Administrative and technical support.--

(1) The General Assembly shall provide administrative support, meeting space and any other assistance required by the council to carry out the council's powers and duties under this section.

(2) The department, the Pennsylvania Higher Education Assistance Agency and the State-related universities shall provide technical support, including data, research and other assistance required by the council, to carry out the
council's powers and duties under this section.

(h) Powers and duties.--The council shall:

(1) Consult with Commonwealth agencies and experts to assist in carrying out the duties of this section.

(2) Hold public hearings at each one of the State-related universities and receive input from experts and interested parties, including parents and students.

(3) No later than March 31, 2025, develop recommendations for a new system that utilizes performance-based metrics to distribute:

(i) the reallocation of between 3% and 5% of the amount appropriated in fiscal year 2023-2024; and

(ii) any funding in subsequent years that is more than the amount appropriated to the State-related universities in fiscal year 2023-2024.

(4) No later than April 30, 2025, transmit the recommendations to the Governor, the department and the General Assembly, including draft legislation to implement the new system to distribute funding.

(i) Performance-based funding metrics.--The council shall choose no more than six metrics from the following list when developing the new system under subsection (h):-

(1) A base level of funding to ensure ongoing operations.

(2) Incentive funding.

(3) Performance thresholds.

(4) The four-year graduation rate for first-time college students.

(5) The percentage of undergraduate students enrolled who received a Pell Grant during the previous school year.
(6) The six-year graduation rate for students who are awarded a Pell Grant in their first year.

(7) The four-year graduation rate for baccalaureate students.

(8) Student retention rates.

(9) Bachelor's degree production per 100 full time enrolled students.

(10) Net tuition and fees per 120 credit hours.

(11) Postgraduation employment rates and salaries, including wage thresholds that reflect the added value of a baccalaureate degree.

(12) The number of degrees attained in high priority occupations in this Commonwealth.

(13) The number of nontraditional students enrolled in a program to up-skill or reskill in high priority occupations in this Commonwealth.

(14) The number of high school students who are dual-enrolled and the number of credits earned.

(15) The percentage of credits articulated.

(16) Other metrics provided by each State-related university.

(17) Other metrics related to higher education that the council deems appropriate.

(j) Default metrics.

(1) If the council fails to transmit recommendations to the department as required under subsection (h)(4), the Pennsylvania Higher Education Assistance Agency, in consultation with the department, the Department of Labor and Industry, the Independent Fiscal Office and the State-related universities, shall:
(i) Develop, in accordance with paragraph (2), a new system that utilizes default metrics to distribute funding to the State-related universities.

(ii) Develop draft legislation to implement the system developed under subparagraph (i).

(iii) Transmit the new system developed under subparagraph (i) and the draft legislation developed under subparagraph (ii) to the following no later than June 13, 2025:

(A) The Governor.

(B) The department.

(C) The General Assembly.

(2) The default metrics utilized under paragraph (1)(i) shall:

(i) Consist of the following, which shall be weighted equally:

(A) The four-year graduation rate for first-time college students.

(B) The six-year graduation rate for students who are awarded a Pell Grant in their first year.

(C) Net tuition and fees per 120 credit hours.

(D) Student retention rates.

(E) The number of degrees attained in high-priority occupations in this Commonwealth.

(ii) Be used to distribute the following:

(A) The reallocation of 5% of the amount appropriated in fiscal year 2023-2024.

(B) Any funding in subsequent years that is more than the amount appropriated to the State-related universities in fiscal year 2023-2024.
(iii) Be in effect until such time that the council transmits recommendations to the department as required under subsection (h)(4).

(3) The following shall apply to administrative costs of the Pennsylvania Higher Education Assistance Agency:

(i) Of the money appropriated to State-related universities for any fiscal year, up to $500,000 shall be allocated to the Pennsylvania Higher Education Assistance Agency to pay administrative costs associated with the agency's work under paragraph (1).

(ii) For an allocation under subparagraph (i), the following shall apply:

(A) Each State-related university shall contribute an equal share of the amount allocated.

(B) The money contributed under clause (A) shall be paid out of the amount appropriated to each State-related university for the fiscal year in which the money is allocated.

Section 4. Review.

The council shall reconvene every five years to reevaluate the performance metrics utilized for the distribution of funds to State-related universities.

Section 5. Effective date.

This act shall take effect July 1, 2024, or immediately, whichever is later.

SECTION 1. THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC SCHOOL CODE OF 1949, IS AMENDED BY ADDING AN ARTICLE TO READ:

ARTICLE XX-L

INSTITUTIONS OF HIGHER EDUCATION
SUBARTICLE A

PRELIMINARY PROVISIONS

SECTION 2001-L. DEFINITIONS.

THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS ARTICLE

SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE

CONTEXT CLEARLY INDICATES OTHERWISE:

"AGENCY." THE PENNSYLVANIA HIGHER EDUCATION ASSISTANCE

AGENCY.

"BOARD." THE STATE BOARD OF HIGHER EDUCATION ESTABLISHED

UNDER SECTION 2010-L.

"COMMUNITY COLLEGE." AN INSTITUTION CREATED UNDER ARTICLE

XIX-A OR THE ACT OF AUGUST 24, 1963 (P.L.1132, NO.484), KNOWN AS

THE COMMUNITY COLLEGE ACT OF 1963.

"COUNCIL." THE PERFORMANCE-BASED FUNDING COUNCIL ESTABLISHED

UNDER SUBARTICLE C.

"DEPARTMENT." THE DEPARTMENT OF EDUCATION OF THE

COMMONWEALTH.

"FINANCIAL AID." FUNDING TO HELP A STUDENT PAY FOR

POSTSECONDARY EDUCATION, INCLUDING GRANTS, WORK STUDY, LOANS AND

SCHOLARSHIPS.

"HIGH-PRIORITY OCCUPATION." AN OCCUPATION IDENTIFIED BY THE

DEPARTMENT OF LABOR AND INDUSTRY UNDER THE ACT OF DECEMBER 18,

2001 (P.L.949, NO.114), KNOWN AS THE WORKFORCE DEVELOPMENT ACT.

"HIGHER EDUCATION SCHOLARSHIP LAW." THE ACT OF JANUARY 25,

1966 (1965 P.L.1546, NO.541), REFERRED TO AS THE HIGHER

EDUCATION SCHOLARSHIP LAW.

"INDEPENDENT INSTITUTION OF HIGHER EDUCATION." AN

INSTITUTION OF HIGHER EDUCATION WHICH IS OPERATED NOT FOR

PROFIT, LOCATED IN AND INCORPORATED OR CHARTERED BY THE

COMMONWEALTH AND ENTITLED TO CONFER DEGREES AS SPECIFIED IN 24

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PA.C.S. § 6505 (RELATING TO POWER TO CONFER DEGREES) AND TO APPLY TO ITSELF THE DESIGNATION "COLLEGE" OR "UNIVERSITY" AS PROVIDED FOR BY THE STANDARDS AND QUALIFICATIONS PRESCRIBED BY THE STATE BOARD OF EDUCATION UNDER 24 PA.C.S. CH. 65 (RELATING TO PRIVATE COLLEGES, UNIVERSITIES AND SEMINARIES).???

"INSTITUTION OF HIGHER EDUCATION." AS DEFINED IN SECTION 1501-L.

"INSTITUTIONAL AID." FINANCIAL AID OFFERED TO AN ELIGIBLE STUDENT DIRECTLY BY AN INSTITUTION OF HIGHER EDUCATION, INCLUDING MERIT AID, GIFT AID AND ATHLETIC AWARDS.

"PELL GRANT." THE FEDERAL PELL GRANT OR ANY SUCCESSOR PROGRAM.

"PENNSYLVANIA STATE GRANT." A GRANT OR SCHOLARSHIP AWARDED UNDER THE HIGHER EDUCATION SCHOLARSHIP LAW.

"PRIVATE SCHOLARSHIP." FINANCIAL AID AWARDS FUNDED BY ENTITIES OTHER THAN THE FEDERAL OR STATE GOVERNMENT, INCLUDING AWARDS BY COMPANIES, SERVICE GROUPS, FOUNDATIONS, ORGANIZATIONS AND INDIVIDUALS.

"PUBLIC INSTITUTION OF HIGHER EDUCATION." A STATE-OWNED UNIVERSITY, COMMUNITY COLLEGE OR STATE-RELATED UNIVERSITY.

"STATE-OWNED UNIVERSITY." AN INSTITUTION WHICH IS PART OF THE STATE SYSTEM OF HIGHER EDUCATION UNDER ARTICLE XX-A.

"STATE-RELATED UNIVERSITY." THE PENNSYLVANIA STATE UNIVERSITY, THE UNIVERSITY OF PITTSBURGH, TEMPLE UNIVERSITY AND LINCOLN UNIVERSITY.

"SYSTEM." THE STATE SYSTEM OF HIGHER EDUCATION ESTABLISHED UNDER ARTICLE XX-A.

SUBARTICLE B
(RESERVED)

SUBARTICLE C
PERFORMANCE-BASED FUNDING COUNCIL

SECTION 2030-L. SCOPE OF SUBARTICLE.

THIS SUBARTICLE RELATES TO THE PERFORMANCE-BASED FUNDING COUNCIL.

SECTION 2031-L. DEFINITIONS.

THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS SUBARTICLE SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

"STATE-RELATED UNIVERSITY." THE FOLLOWING INSTITUTIONS:

(1) THE PENNSYLVANIA STATE UNIVERSITY.
(2) THE UNIVERSITY OF PITTSBURGH.
(3) TEMPLE UNIVERSITY.

SECTION 2032-L. PERFORMANCE-BASED FUNDING COUNCIL.

(A) PURPOSE.--THE PERFORMANCE-BASED FUNDING COUNCIL IS ESTABLISHED AND SHALL DEVELOP A PROCESS TO DISTRIBUTE FUNDING TO THE STATE-RELATED UNIVERSITIES. THE PROCESS SHALL UTILIZE PERFORMANCE-BASED METRICS DESIGNED TO INCREASE DEGREE ATTAINMENT, ENCOURAGE AFFORDABILITY IN HIGHER EDUCATION, MEET WORKFORCE NEEDS AND GROW THE ECONOMY.

(B) GOALS.--THE GOALS OF THE COUNCIL IN THE DEVELOPMENT OF THE PROCESS SHALL BE:

(1) PREDICTABILITY TO AVOID DRAMATIC CHANGES OVER TIME TO THE INDIVIDUAL INSTITUTIONS OF HIGHER EDUCATION OR THE OVERALL SECTOR.
(2) OUTCOMES DRIVEN TO ALIGN TO THE PRIORITIES OF THE COMMONWEALTH.
(3) TRANSPARENCY TO INCREASE PUBLIC TRUST.
(4) RESOURCES AND INCENTIVES TO INCREASE STUDENT ACCESS AND ATTAINMENT.

(C) MEMBERSHIP.--
THE COUNCIL SHALL CONSIST OF VOTING MEMBERS APPOINTED UNDER PARAGRAPH (2) AND NONVOTING MEMBERS, WHO SHALL SERVE IN AN ADVISORY ROLE, DESCRIBED UNDER PARAGRAPH (3).

THE VOTING MEMBERS OF THE COUNCIL SHALL CONSIST OF THE FOLLOWING MEMBERS OF THE STATE BOARD OF HIGHER EDUCATION UNDER SECTION 2010-L(C):

(I) THE SECRETARY OF EDUCATION APPOINTED UNDER SECTION 2010-L(C)(1).

(II) ONE MEMBER OF THE SENATE APPOINTED BY THE PRESIDENT PRO TEMPORE OF THE SENATE APPOINTED UNDER SECTION 2010-L(C)(3).


THE NONVOTING MEMBERS OF THE COUNCIL SHALL BE:

(I) THE PRESIDENT OF THE PENNSYLVANIA STATE UNIVERSITY OR A DESIGNEE.

(II) THE CHANCELLOR OF THE UNIVERSITY OF PITTSBURGH OR A DESIGNEE.

(III) THE PRESIDENT OF TEMPLE UNIVERSITY OR A DESIGNEE.

CHAIRPERSON.—THE VOTING MEMBERS OF THE COUNCIL SHALL APPOINT A MEMBER TO SERVE AS THE CHAIRPERSON.

(F) QUORUM.--A MAJORITY OF THE VOTING MEMBERS OF THE COUNCIL SHALL CONSTITUTE A QUORUM, AND A QUORUM SHALL BE REQUIRED TO VOTE ON ACTIONS TO BE TAKEN BY THE COUNCIL.

(G) COUNCIL ACTIONS.--A TWO-THIRDS VOTE OF THE VOTING MEMBERS OF THE COUNCIL SHALL BE REQUIRED FOR ALL ACTIONS TAKEN BY THE COUNCIL.


(I) POWERS AND DUTIES.--THE COUNCIL SHALL:

(1) CONSULT WITH COMMONWEALTH AGENCIES AND EXPERTS TO ASSIST IN CARRYING OUT THE DUTIES OF THIS SECTION.

(2) HOLD PUBLIC HEARINGS AT EACH ONE OF THE STATE-RELATED UNIVERSITIES AND RECEIVE INPUT FROM EXPERTS AND INTERESTED PARTIES, INCLUDING PARENTS AND STUDENTS.

(3) DEVELOP RECOMMENDATIONS FOR A PROCESS THAT UTILIZES PERFORMANCE-BASED METRICS TO DISTRIBUTE FUNDING.

(4) NO LATER THAN APRIL 30, 2025, TRANSMIT THE RECOMMENDATIONS TO THE GOVERNOR, THE BOARD, THE DEPARTMENT AND THE GENERAL ASSEMBLY, INCLUDING DRAFT LEGISLATION TO IMPLEMENT THE PROCESS TO DISTRIBUTE FUNDING.

(J) PERFORMANCE-BASED FUNDING METRICS.--THE COUNCIL SHALL CONSIDER THE FOLLOWING METRICS WHEN DEVELOPING THE PROCESS UNDER SUBSECTION (I):
(1) A FIXED AMOUNT PER STATE-RELATED UNIVERSITY TO ENSURE ONGOING OPERATIONS.

(2) INCENTIVE FUNDING.

(3) PERFORMANCE THRESHOLDS.

(4) THE TWO-YEAR AND FOUR-YEAR GRADUATION RATE FOR FIRST-TIME COLLEGE STUDENTS.

(5) THE NUMBER AND PERCENTAGE OF PENNSYLVANIA UNDERGRADUATE STUDENTS ENROLLED WHO RECEIVED A PELL GRANT DURING THE PREVIOUS SCHOOL YEAR.

(6) THE SIX-YEAR GRADUATION RATE FOR STUDENTS WHO ARE AWARDED A PELL GRANT IN THEIR FIRST YEAR.

(7) THE FOUR-YEAR GRADUATION RATE FOR BACCALAUREATE STUDENTS.

(8) STUDENT RETENTION RATES.

(9) BACHELOR'S DEGREE PRODUCTION PER 100 FULL-TIME ENROLLED STUDENTS.

(10) NET TUITION AND FEES PER 120 CREDIT HOURS.

(11) POST-GRADUATION EMPLOYMENT RATES AND SALARIES, INCLUDING WAGE THRESHOLDS THAT REFLECT THE ADDED VALUE OF AN ASSOCIATE OR BACCALAUREATE DEGREE.

(12) THE NUMBER OF STUDENTS WHO ATTAIN CREDENTIALS IN HIGH-PRIORITY OCCUPATIONS IN THIS COMMONWEALTH.

(13) THE NUMBER OF NONTRADITIONAL STUDENTS ENROLLED IN A PROGRAMS ALIGNED TO HIGH-PRIORITY OCCUPATIONS IN THIS COMMONWEALTH.

(14) THE NUMBER OF HIGH SCHOOL STUDENTS WHO ARE DUAL ENROLLED AND THE NUMBER OF CREDITS EARNED.

(15) THE NUMBER OF STUDENTS WHO TRANSFER TO A STATE-RELATED UNIVERSITY WITH AT LEAST 24 COLLEGE-LEVEL CREDIT HOURS AND THE TIME TO DEGREE AT THE RECEIVING INSTITUTION.
OTHER METRICS PROVIDED BY EACH STATE-RELATED UNIVERSITY.

OTHER METRICS RELATED TO HIGHER EDUCATION THAT THE COUNCIL DEEMS APPROPRIATE.

WEIGHTING OF PERFORMANCE-BASED FUNDING METRICS.--THE COUNCIL MAY CONSIDER WEIGHTS FOR THE METRICS IN THIS SECTION FOR STUDENTS FROM PENNSYLVANIA HIGH SCHOOLS WITH LOW COLLEGE MATRICULATION RATES.

DISSOLUTION AND RECONSTITUTION.--

UPON TRANSMITTAL OF THE REPORT UNDER SUBSECTION (I), THE COUNCIL SHALL DISSOLVE UNTIL RECONSTITUTED UNDER PARAGRAPH (2).

THE BOARD SHALL RECONSTITUTE THE COUNCIL EVERY FIVE YEARS TO REEVALUATE THE PERFORMANCE METRICS UTILIZED FOR THE DISTRIBUTION OF FUNDS TO STATE-RELATED UNIVERSITIES.

SECTION 2033-L. PUBLIC INSTITUTION OF HIGHER EDUCATION REPORTING.

REQUIREMENTS.--NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE FOLLOWING INFORMATION SHALL BE REPORTED TO THE DEPARTMENT BY PUBLIC INSTITUTIONS OF HIGHER EDUCATION:

STUDENT ENROLLMENT, INCLUDING IN-STATE AND OUT-OF-STATE STUDENTS, DISAGGREGATED BY DEMOGRAPHICS, ENROLLMENT STATUS AND DEGREE TYPE AND LEVEL.

STUDENTS REACHING 30, 60, 90 AND 120 CREDIT HOUR THRESHOLDS.

STUDENTS COMPLETING CREDENTIALS, INCLUDING CREDENTIALS ALIGNED TO HIGH-PRIORITY OCCUPATIONS.

STUDENTS INCLUDED IN PRIORITY POPULATIONS, INCLUDING LOW-INCOME STUDENTS, UNDERREPRESENTED MINORITY STUDENTS AND ACADEMICALLY UNPREPARED STUDENTS.
(5) ANY OTHER DATA REQUIRED BY THE DEPARTMENT, INCLUDING DATA RELATED TO THE METRICS UNDER SECTION 2032-L.

(B) TRANSMITTAL.--A PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL REPORT INFORMATION REQUIRED UNDER THIS SECTION TO THE DEPARTMENT IN A MANNER AND FORM PRESCRIBED BY THE DEPARTMENT.

(C) SUBMISSION.--THE SYSTEM MAY SUBMIT THE INFORMATION REQUIRED UNDER THIS SECTION ON BEHALF OF THE STATE-OWNED UNIVERSITIES.

(D) EXCLUSION.--THE PROVISIONS OF SECTION 118 SHALL NOT APPLY TO ANY DATA REQUIRED UNDER THIS SECTION.

(E) DATA SHARING.--THE DEPARTMENT MAY SHARE DATA COLLECTED UNDER THIS SECTION WITH THE BOARD AND THE COUNCIL.

(F) DEFINITION.--AS USED IN THIS SECTION, THE TERM "STUDENT" MEANS AN INDIVIDUAL WHO ATTENDS AN INSTITUTION OF HIGHER EDUCATION, WHETHER ENROLLED ON A FULL-TIME, PART-TIME, DEGREE-SEEKING, NON-DEGREE-SEEKING, CREDIT OR NONCREDIT BASIS.

SECTION 2. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.